

Nation's Business

Stretching your tax dollars

Best managers are best communicators

Five powder kegs to watch

The SICKNESS of GOVERN- MENT BY PETER F. DRUCKER

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March 1969 Vol. 57 No. 3

Published in Washington, D.C., by the Chamber of Commerce of the United States, the national federation of organizations representing more than five million companies, professional and business people.

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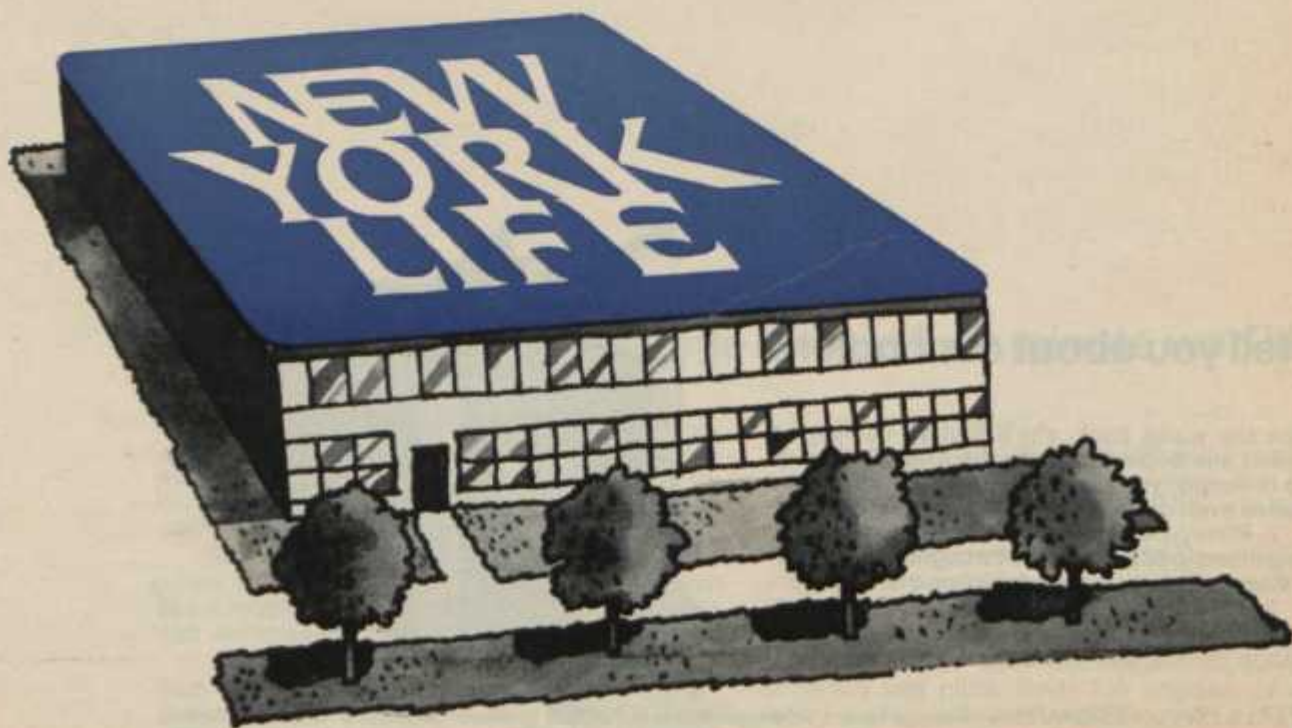
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Every two weeks when the President's Council of Economic Advisers has lunch at the marble temple on Constitution Avenue that's the home of the Federal Reserve Board, it is served in the guest dining room rather than the Board's own dining room.

This says a lot more about what is going to happen to money and credit than it does about culinary preferences. It gives subtle insight into how the Fed will approach the present mammoth job of halting inflation without tipping us into a recession.

The reason for serving the President's economic advisers in the guest dining room is that individual Governors of the Fed can join the informal economic discussions or eat in their own private dining quarters as they choose, thus preserving their coveted independence.

This may seem a silly pretension. But there is now as much contact, coordination and consultation between the Fed and the Administration and the Fed and Congress as at any time in recent history. And if the Fed is to do its job, it probably needs the right mix of independence as well as cooperation.

This is important because the Fed today has a star role in the economic drama in which inflation is the hated villain.

The seriousness of inflation is now being recognized even in the farthest corners of the economy. Last year saw the worst case of inflation in 17 years. Interest rates on government securities now have reached the highest point since the Civil War. The prime rate for borrowing also has risen to an historic high. And inflation psychology—people think things will continue to cost more—is pervasive still.

Of course, much has been done already to stand up to inflation. The surtax finally was passed. Federal spending was trimmed. The huge budget deficit has been reduced and a surplus promised.

President Nixon has pledged to fight inflation. Unless we do control it, he has said, "we will be

Tait Trussell is managing editor of Nation's Business.

TO GUARD THE DOLLAR



BY TAIT TRUSSELL

confronted eventually with massive unemployment, because history . . . indicates that if inflation is allowed to get out of hand there has to be a bust and then unemployment comes."

Finally, the Fed itself has taken some steps to tighten credit.

There are a number of reasons why the Fed and its policies are more important than ever now.

First, the surtax, which was pictured by Washington officials and many private economists as the panacea for inflationary ills, has not turned the trick. Part of the reason is that the amount of money taken out of the economy through the surtax for this current fiscal year will have been only about one per cent of all disposable income. Another part of the reason is that it is an upper-

income levy—lowest income taxpayers were exempted from the tax. And the higher bracket taxpayer's spending isn't restricted as much or as immediately by a surtax since he usually can dip into savings and keep spending.

Second, the projected surplus in the federal budget will become a reality only if a variety of very iffy revenue and expenditure predictions and recommendations come true. So we actually could have another inflationary budget deficit, though it would by no means be as high as in the past fiscal year.

Third, the Nixon Administration apparently doesn't plan to apply such gimmicks of the past as price-wage guidelines or public scolding of corporations when they have to raise prices. In fact, Mr. Nixon has said he doesn't think inflation can be controlled "by exhorting labor and management to follow certain guidelines."

Mr. Nixon has said he will rely on fiscal and monetary policy in the battle against inflation.

Fourth, increasing attention has focused on monetary policy as a result of the theories of economist Milton Friedman, the noted University of Chicago professor and adviser to Mr. Nixon.

Prof. Friedman believes money supply is the crucial factor in regulating the economy. His followers have downgraded the so-called New Economics of the Kennedy-Johnson era, which proclaimed that fiscal policy (taxing and spending) was the almighty key to managing the

economy. While giving prominence to monetary policy, however, the Friedmanites have criticized the Fed for its actions in recent years. Others have jumped on the Fed, too, for what they believe has been overreacting and even for adding to inflation.

A near money panic resulted in 1966, after the Fed clamped down hard and caused what is now referred to as the "crunch" that tightened money and credit so much it threw the housing industry into a recession.

The Friedmanites believe that the Fed, with its authority to change the flow of money, can determine the growth of the economy. But since there's a lag in the effect of changes in the money supply, they believe the Fed should allow money to grow at an even rate, to keep things steady, rather than shift back and forth to try to adjust to varying conditions.

The Chairman of the President's Council of Economic Advisers, Paul McCracken, has said the Fed's influence on the money supply will be closely watched by the Administration. He also has said he was concerned because, in the past couple of years, the money supply frequently had been permitted to grow at "double or more" the rate that would keep inflation down.

On Capitol Hill, it has been recommended that the Fed limit the money supply to a growth pace ranging between 2 and 6 per cent a year.

Members of the Federal Reserve Board believe the idea of a steady rate of increase in the money supply is oversimplifying things. The Governors tend to be a bit imperious as they engage in their arcane activities in their sumptuous chandelied offices.

They point out with some logic, however, that the central bank must look at the whole economy when arriving at monetary policy. "The analytical relationships between expected performance (of the economy) and the numerous financial variables showing credit flows, reserve positions, interest rates as well as money determine what matters most at any particular time," says Board Gov. George W. Mitchell.

Of course, the three main tools the Fed has to work with on the money supply are its reserve requirements, open market operations and discount rates. Banks must hold reserves equal to a certain percentage of their customers' deposits, and the Fed sets the percentage. The Fed also buys and sells government securities

in the open market; and when selling, the Fed decreases the reserves of a member bank, so the bank has less credit. Finally, the Fed can tighten money by raising the discount rate at which banks borrow from the Fed, making it costlier to replenish their reserves.

As loans are harder to get, business and consumers just can't get the money needed to keep on buying and investing, and the economy slows down.

The trick is to keep it from slowing down too much. Certainly the Administration and Congress don't want recession, with high unemployment, declining incomes and lower tax revenues. This would be bad politics as well as bad economics.

There is always the danger that politics will influence the Fed's policies.

In 1965 Fed Chairman William McChesney Martin warned that the Viet Nam buildup would require a tightening. Finally, that December, the Fed raised the discount rate to flag a turn in monetary policy.

President Johnson, who opposed the move, summoned Chairman Martin to the ranch for a dressing down. But it didn't change the policy.

Knowledgeable politicians as well as economic and monetary experts recognize that it is impossible to forecast precisely when fiscal or monetary policies will take hold, although the Fed is doing more research than ever.

As one Federal Reserve official says, "The state of the art is imperfect. We can go to the moon and back, but monetary policy-making is still primitive."

Also, our impatience with deep-seated inflation tempts impulsive and drastic actions to try to root it out.

But Fed policy appears to shape up like this for the future: a gradually more restrictive stance for as long as a year more. Recent Fed studies by Gov. Andrew Brimmer have shown that even if growth is stopped entirely, unemployment won't rise by much.

And while frequent contacts will continue among the Fed, Treasury, Council of Economic Advisers and Budget Bureau, and their research staffs, the Fed likely will keep its distance and perspective.

As one Federal Reserve official said, "If everybody thinks the same way, if you get too organized, the only mistakes you can make are big ones."



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Some businessmen claim that electronic calculators created more problems than they solved.

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TOMORROW'S EXECUTIVE; WHO NEEDS HIM?

• "The Executive of the Future" [January] can only be regarded as a piece of very black humor.

The Twenty-first Century is pictured as the fruit of a technology manipulated by a pill-addicted priesthood whose sole motivation is to make, make, make, sell, sell, sell in a moral and social vacuum. The executive this article describes has surely gone whoring after false gods and is a pathetic caricature of a man.

The human species even today is well on its way to making this entire planet either overpopulated or unlivable.

It would seem that even the near-term executive had better address himself to these more basic and far less tractable problems than the marketing of sea serpent oil.

WALTER G. WELLS
Summit, N.J.

• One of the main objectives of communism is to lower the moral fiber of our country, and this article surely attempts to do this. The left-

ists and communists constantly harp about the inevitable change of everything in life and they try to include morality in the package. Man still has two legs.

The Ten Commandments of the Bible are just as true today as they were 5,000 years ago, but the leftists would have you believe that morals change along with technology changes.

Sensitivity training was invented by the communists and they use it as one of the basics on which their police state is maintained. When the participant in a commune sensitivity thought control meeting bares his soul to his comrades, some of them receive knocks on the door in the middle of the night and end up in Siberia.

Sensitivity training is also tied in with the current "sex education" rage and our citizens should be made aware of it.

JAMES W. COX
Industrial Indemnity Co.
Pasadena, California

• If this is the dehumanized kind

of society we are headed for, I don't blame the hippies for dropping out.

STEPHEN J. SOLTIS
Attorney
Los Angeles, Calif.

Take cover

• I consider this [January cover] cartoon an affront to good taste, and am both disappointed and amazed to see it spread across the front page.

RAYMOND H. BRADEEN
North Waterboro, Me.

• I think your cover for January was just simply awful. What has happened to good taste and decorum in this country? I did not vote for Mr. Nixon but for Pete's sake, the man is our President. Have you no pride in your country?

E. MOORE
Moore's Variety Store
Gold Beach, Ore.

• That cover would be all right for the hippies, but for American business I think it is ridiculous.

JOHN D. MACNAUGHTON SR.
MacNaughton-Greenawald & Co.
Grand Rapids, Mich.

► *Editor's note: We felt it was a rather amusing portrayal of David preparing to overcome Goliath. President Nixon has agreed to accept the original statuettes used in the photograph.*

Attacks hidden taxes

• Your article "If We Want Real Tax Reform" [January] is very interesting and deserves attention in our legislative assemblies.

On the subject of tax reform what would you think of a proposition to assess most taxation, federal, state and local, against personal income only? The plan would free productive enterprise and most real estate from all taxation on the premise that such taxation is never paid by enterprise anyway. Taxation, mostly, becomes embedded in the cost of doing business and is paid, eventually, as a hidden tax bill by the eventual consumer.

Hidden taxation now makes reliefers out of thousands who, if tax exemption were made realistic, could become a profitable market. Their more successful brothers have to pay, anyway, by supporting subsidy and relief, so why not be realistic in the first place and set up a tax system so that only those able to pay would be taxed? I think

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One more reason to plan now to attend the 57th Annual Meeting of the Chamber of Commerce of the United States.

Pointers for Progress and Pete Progress

letters *continued*

much more economic goods and services could be distributed under such a system and a real beginning could be made in the battle against poverty.

FRANK J. GOEBEL
Construction Escrow Service, Inc.
St. Louis, Mo.

• I agree with Dr. Lutz and hope to see more on the evils of the progressive income tax.

EDWARD W. SMITH
The Thompson-Koch Co.
New York, N.Y.

Recognition for consumer

• In his constructive article on consumerism [January] Arthur C. Fatt identifies the consumer as the mainspring in the marketing concept which is a dominant business strategy. Activated recognition of the consumer in this role would lead to improved relations throughout the entire sphere of consumer service, protection and acceptance.

Currently, the consumer is the proverbial bone between two dogs, with business and government pulling him in different directions.

G. M. MILLAR
Los Angeles, Calif.

Old and New Left

• Your editorial "Don't Forget the Old Left" [February] deserves some comments. . . .

First of all the inference that "the Soviet Communist system is getting pretty much like ours" that you imply is becoming prevalent in our society is not what worries me at all. It is our system becoming more and more like theirs, to wit freedom of worship. Yes, we let an atheist who worships nothing lead our glorious Nine Old Men to take prayer out of our schools.

We have the right of assembly all right—the minority peoples in race and the New Left in our colleges are using it against the vast majority.

We have "innocence until proven guilty." Yet some would put through gun registration laws so that if your registered gun is stolen and used in a crime you'd darn surely better prove you're innocent because your weapon and your fingerprints could be found at the scene.

We can own private property. Sure we can, but the government takes that property year after year without "due process" and it is getting worse every year.

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letters *continued*

services in our free markets. Can we bargain for services when our unions can deny membership in their unions to those who want to join and by such denial prevent me from working at my trade?

No. I'm afraid—not of the New or the Old Left so much, as of the whittling away of everything that made America great.

GORDON E. DOULE
Gordon E. Doule Corp.
Detroit, Mich.

Of visions

• "Of Dreams and Visions" by Felix Morley [February] was excellent. I believe the years ahead under the leadership and example of President Nixon will be a time in which many young people make the zestful discovery that you find yourself by losing yourself—in services to your fellow man, your country and your God.

We in business must aid by asking ourselves, "Who are the free enterprisers?" The answer, of course is all and our policies, procedures and practices must integrate this answer into the daily mainstream of our objectives and activities.

J. D. BATTEN
President
Batten, Batten, Hudson & Swab, Inc.
Des Moines, Iowa

Help for handicapped

• In "Executive Trends" [February] you mentioned that 22 million Americans have physical handicaps and the fact that they do not work or shop because architect's have unwittingly ignored them. In January, 1967, the City of Rochester, N. Y., added architectural barriers legislation to its building code.

The project was a joint effort by those working with the handicapped, architects, city government representatives and others. The aim of the new law is to be sure further buildings which will be used by the public include provisions for grade entrances, elevators, and other facilities which will allow the handicapped to make use of the buildings.

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executive trends

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To play office politics—and win

"Performance alone won't clinch the brass ring."

That's one expert's view, anyway. To reach the top, says Alan N. Schoonmaker, business consultant, author, and Carnegie-Mellon University professor, you must master office politics.

Here are some rules he lays down for the ambitious:

- Analyze opportunity in your job—or any you're considering.

From it, can you make good connections at the top? And how about the boss? Is he promotable? If he can't move up, chances are you can't either.

- Choose a company, or division, run by men like you.

People tend to like and promote others with the same outlook, personality and background. Engineers, for example, should shun firms run by marketing men. And vice versa.

- Develop high visibility.

Speak or write for the public—or hold office in your industry's association.

Remember, you must be on the head man's mind when he makes promotion decisions.

- Bargain, but do it subtly.

Develop other job offers and let the news leak to your boss. He'll value you more highly and try to match them.

- Back your immediate superior, even if he's wrong.

If you don't, no other boss will ever trust you.

We don't say they're all right, but they're hints from a forthcoming Schoonmaker book, "Executive Career Strategy."

Why your club dues are higher

Country club dues rose five per cent in a 12-month period.

But it's no wonder, CPAs say.

Club payrolls climbed eight per cent, and revenue from food, drinks and other nondues sources rose only six per cent.

Here's what it costs the country clubs for upkeep on their golf courses, per hole:

Small clubs (dues revenue under \$200,000), \$3,319, up \$253; medium clubs (dues revenue between \$200,000 and \$300,000), \$4,070, up \$201; large clubs (dues revenue \$500,000 and up), \$4,912, up \$361.

Figures are from latest annual study of country club operations by New York certified public accountants Laventhol, Krekstein, Horwath & Horwath.

Before you get old

Pity that penny-pinching senior citizen with the rubber-band on his wallet?

He could be you some day.

"Our files are full of \$20,000-a-year executives who've turned 65—and now scrape by on \$6,000 a year," says Lon D. Barton, president of Cadillac Associates, executive placement firm.

Many fail to look to the future, he says.



Room for rent.

You can pick up your key at the desk. The rent-a-car desk. Just ask for a Pontiac LeMans.

Now we're not going to josh you by trying to make you believe LeMans is our equivalent of a presidential suite. It isn't. Not when you consider our Pontiac Grand Prix, Bonneville, Executives and Catalinas.

LeMans is, however, one very special automobile. You see, the Hardtop Coupe, pictured above, has the kind of front-seat

leg room that a lot of much bigger cars would be proud to call their own. The back seat is no squeeze play, either.

The seats are upholstered in thickly padded, expanded Morrokide. And the new upper-level ventilation system lets you breeze along, windows up, with draft-free circulation of outside air. (Go ahead, 50¢ stogies for everyone.)

Yet for all that room and comfort, LeMans is most maneuverable. Easy to handle. A Wide-Track Pontiac performer

through and through.

All that might help you understand the growing popularity of LeMans at airport rental-car booths. But if you want to know why so many are showing up in driveways back home, you'll just have to try one. The next time you're on the road.

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EXECUTIVE TRENDS *continued*

When you're job shopping, he says, make sure the spot you choose has an adequate retirement program—even at the expense of current income.

Putting executives in their place

What makes a company—and its stock—valuable?

That query was put to 116 security analysts.

"Caliber of management," eight out of 10 replied. They rank it ahead of the type of industry in which the company operates, and even its earnings history.

"That puts the executive in his place," says The Whitehead Group of Companies, management consultants who took the poll.

"Namely, at the head of the list."

What the recruiters are bidding for talent

Recruiters are paying top prices for college seniors who'll graduate this June.

For a graduate with a nontechnical bachelor's degree, offers average \$692 a month. That's a 5.3 per cent gain over last year.

The average for those with technical degrees is \$800 monthly, up 4.3 per cent.

College Placement Council, Inc., bases these figures on reports from 122 representative U. S. colleges and universities.

The higher pay reflects strong demand, the council says.

Job offers to candidates for a B. S.—or other technical bachelor's degree—are up 25 per cent over last year. They're 14 per cent higher for nontechnical degree candidates.

Hint to marketers— make haste slowly

"We took 43 months to test market it.

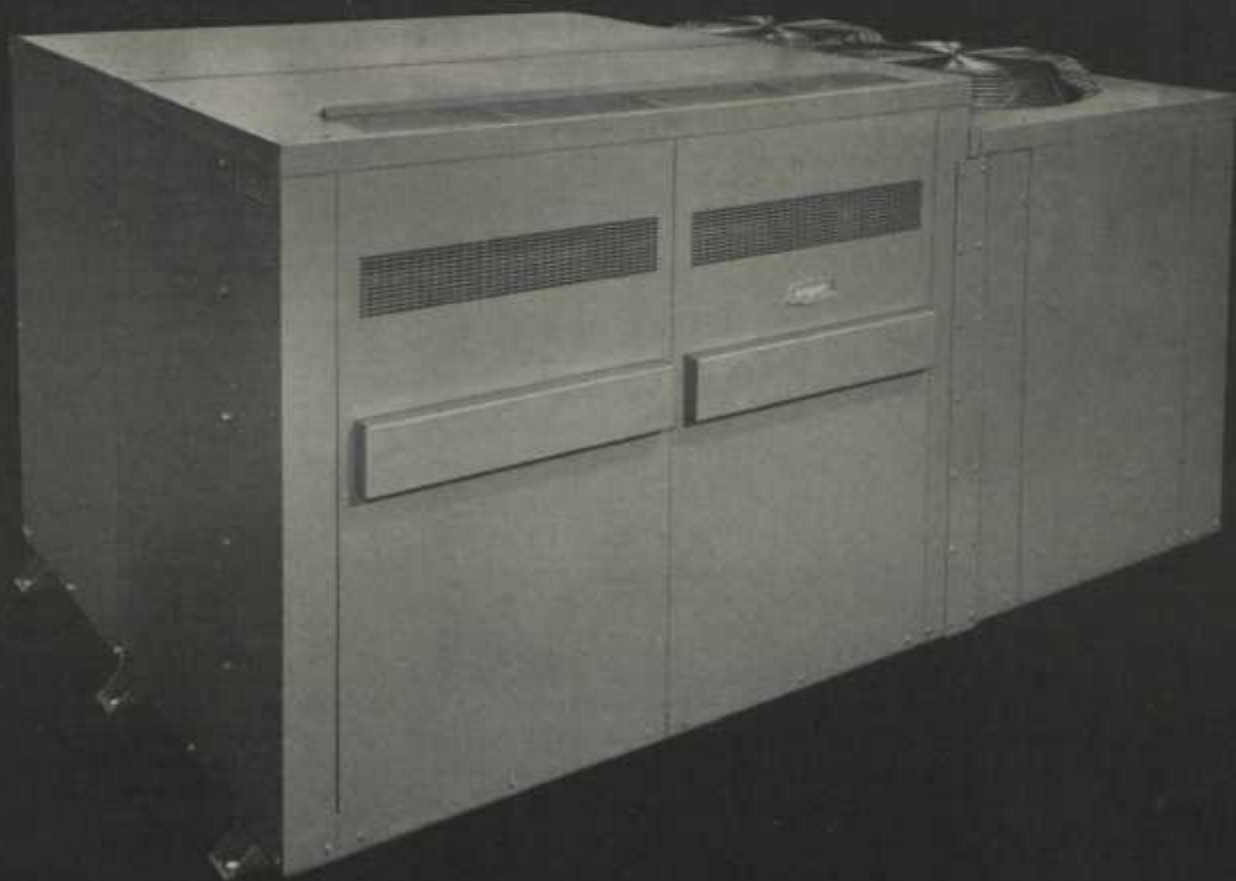
"That's almost as long as Michelangelo took to paint the ceiling of the Sistine Chapel.

"But this gave us a winner. And we learned some invaluable lessons."

That's what V. A. Bonomo, vice president, Maxwell House division, General Foods Corp., says about launching Maxim, the firm's freeze-dried coffee. Among the hard-earned marketing lessons, he says, No. 1 was: Know how to read test results.

"When we entered our first area,

Bryant air conditioners don't make stores look like eyesores.



We have rooftop units that don't stick way up and look ugly, because they can't.

They're so low they're hardly noticeable from the ground.

They come as pre-assembled "packages." Which means both heating and air conditioning comes as a unit.

Our units have other advantages.

They have low-speed condenser fans with oversized coils which give almost 20 degrees of sub-cooling, so the units run better.

We at Bryant make both gas and electric rooftop units. So, you can buy the unit that'll use the least expensive fuel (gas or electric) in your area.

By mixing the units in multiples, you can get any capacity you want — considering we make 3,

4, 5, 7½, 10, 15, and 20-ton units — with matched gas or electric heating up to 450,000 Btu/hrs.

And we have specially trained Bryant dealers who know Bryant units inside and out.

For more information, contact your Bryant dealer or distributor, or write Bryant Air Conditioning Company, 7310 West Morris Street, Indianapolis, Indiana 46231.

Just because you put an air conditioner on the roof, that doesn't mean it has to be seen from the ground.

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Albany, N. Y.," he explains, "almost half our shipments really sold to outsiders. Skiers picked up our product on their way back from New England to New York."

"And store owners in Manhattan, and suburban Westchester and Fairfield counties bought it to supply their own customers."

"If we relied on shipment data alone, we'd have built a plant to make it twice as big as we needed."

A. C. Nielsen Co., marketing researcher, passes Mr. Bonomo's remarks along with this comment:

"GFC's experience is typical. Executives recognize more and more that thorough testing is the only path to marketing success."

If you're planning to buy—or merge

What ever happened to Monowatt? Or Telechron?

Simple. They now wear another brand: General Electric.

But how about Avis? It's still renting autos under its old name. Ditto for Hertz. And Avis is part of IT&T, while Hertz belongs to RCA.

Brand names are just one thing to consider in a merger or acquisition, warns Lippincott & Margulies,

Inc., communications and design consultants.

"A merger presents big communications opportunities—and risks," adds President Walter P. Margulies.

"Opportunity, for example, to project a bigger, better, sharper public image."

"Or the risk of so blurring it that the company loses its identity."

He suggests use of checklists before, during and after a merger, covering key questions like these:

1. Have you decided what your new corporate identity should be?
2. Are you planning a communications strategy to fit it?
3. Is a name change in order?
4. What should you do about trademarks and symbols?
5. Are you preparing all your publics—employees, stockholders, customers, the community—for the event?

Where some of the profit disappears

Have a hidden partner?

Many firms do. And he may siphon off as much as four per cent of your gross.

You can check his take by examining your inventory report, says Lincoln Zonn, New York security

consultant. Chances are, he's getting most of what's written off as "shrinkage."

Take for example, the Albany, N. Y. maintenance man.

He stashed \$1,000 worth of salable merchandise in trash barrels each month. Then he split the loot with the trash truck driver with whom he was in cahoots.

What can you do about your hidden partner?

Smoke him out, Mr. Zonn suggests, with a complete security survey, a workable security manual, screening of new employees and periodic security checks.

Scotch route to a capital gain?

Jaded investors, weary of Wall Street, might take a fling in Scotch.

There are companies which will buy it for you, have it stored in a bonded British warehouse, then sell it after it's aged—hopefully at a higher price for a capital gain.

Maurice L. Schoenwald, head of one such firm, Accrued Equities, Inc., of New York, cites an illustrative transaction:

"In 1962, raw Scotch sold for \$1.68 a gallon. Four years later, it was worth \$3.15. Subtracting purchase cost, storage, insurance and commissions, the buyer had a profit of 98 cents."

"That's more than 15 per cent a year."

Buyers since then haven't done so well as prices have dropped.

Now, three-year-old stuff is selling for only about \$1.05 a gallon—in London. That's not much more than the current price of raw Scotch.

"This presents an extraordinary opportunity," Mr. Schoenwald says.

"The downside risk should be minimal—and appreciation very promising."

Minimum purchase: \$2,400.

Doing business south of the border

Know how to cut red tape in Spanish?

"Business/Mexico" is a new book that puts it in a nutshell. It covers finance, foreign trade, taxes, business techniques, and services, influencing and measuring the market.

Some 32 experts supply the answers in a country that takes a bigger and bigger share of our exports each year. It's \$12.50 from the American Chamber of Commerce of Mexico, A. C., Mexico 6, D. F.

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Of course we do. These states are our home territory, the Industrial Southeast. Still, when it comes to locating an industrial site, we're as impartial as you'd be. It's just good business. If we think a given site isn't right for you, we'll tell you. We know our states, and we know the sites. So get the facts. All of them. Just write: J. R. LeGrand, Asst. Vice President, Ind. Development, Seaboard Coast Line Railroad, Jacksonville, Florida 32202.

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To a successful man, pride takes many forms.

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The new Imperial is strikingly contemporary. From a classic grille to a massive rear bumper with deeply recessed taillamps. It is not the kind of automobile you see at every stoplight. In every parking lot.


Size is another Imperial consideration. It is the largest U. S. luxury car in its price class. It's longer than the others. With more head room, leg



room, and hip room than you've ever experienced in a car of this type. We want you to be as comfortable on a cross-country trip as on a local errand.

There is more you should know about Imperial. It comes equipped with the largest passenger-car engine ever built by Chrysler Corporation. Power front disc brakes are standard. It has a torsion-bar suspension system for an unequalled highway ride. The choice of optional equipment includes an industry exclusive: separate heating and air conditioning systems for both front and rear compartments.

Imperial for 1969. Unique among America's luxury automobiles.

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ARMCO STEEL



ORDER OR CONFLICT?

BY PETER LISAGOR

The Nixon Presidency has opened on a predictably subdued note. It has stressed organization, continuity, and a deliberate pace, and has not featured any programmatic razzle-dazzle, which would be contrary to the President's style and sense of decorum.

Mr. Nixon has organized his White House to a fine turn, with a proliferation of committees that disturbs the purists among bureaucratic chart-makers. "It's not as cluttered as some in the press would have you believe," one Nixon associate says, pleading for "time to shake down."

During his campaign, candidate Nixon promised a Cabinet of stature and influence, and by and large, he chose men of acknowledged competence who reflect his own coolly cautious outlook. His White House staff, he often said, was going to be youthful, bright and anonymous. As he has put it together, it appears to be bright enough—in fact, brilliant—but not precisely youthful and far from anonymous.

He has three prestigious scholarly types in key White House roles. Dr. Arthur Burns, who was President Eisenhower's chief economic adviser, is a kind of domestic majordomo, with a new portfolio of "Counsellor to the President" and with Cabinet rank. Dr. Henry A. Kissinger is a national security affairs adviser who has built one of the ablest staffs in town, rivaling the best at the State and Defense Departments. And Dr. Daniel Patrick Moynihan, head of the Urban Affairs Council, has a status comparable to Kissinger's and a staff of his own with an uncommon sparkle to it.

Just how the Cabinet officers will blend with this strong-minded trio will fascinate Nixon-watchers in coming months. It was a complaint of some

Cabinet officials during the Kennedy and Johnson Administrations that the White House staff had too much muscle and intervened too often in matters properly the responsibility of the various departments. In fact, JFK, in his impatience to get things done, sometimes snared the first available staff assistant who crossed his bow when his mind was on an important matter and assigned him the task of riding herd on it. It was

not tidy, but in what came to be known as the "creative chaos" of the Kennedy White House, it was effective.

In theory, the departments make or initiate policies. They have the information required and the enormous staffs to implement plans and programs. But they also tend to be sluggish and muscle-bound in practice, and this gives a nimble, alert White House staff the chance to intrude, to influence Presidential

actions in ways both subtle and overt.

A former Cabinet officer, wise in the ways of government and men, says that organizational charts, like battle plans, often go into discard when the real struggles begin. "It's only after his staff has been through a couple of rock-crushing crises that a President learns who is steady and firm under fire and who is uncertain and weak," he observes. The best of Presidential aides emerge from events and experience, and are not instant creations of the Chief Executive. "The little boxes and lines on the tables of organization look neat and orderly," says another expert on bureaucracy, "but in practice a President turns to the men he can rely on to get action. More often than not, they are not the stars on the charts but the really anonymous ones backstage."

It is hard to believe that Burns, Kissinger and Moynihan will play wholly self-effacing and compliant roles. To some President-watchers, this augurs ill and could lead to unwholesome tensions in the decision-making process.

President Eisenhower once mused aloud about the Chief Executive's inability to give daily attention to the evolving issues, no matter how great. "A single assistant could," Gen. Eisenhower said, and then went on to describe how he viewed the Presidency being organized for maximum efficiency.

"My theory was to set up a man who in everything touching on foreign affairs did for the President what the President had to do as his major



Contributing columnist Peter Lisagor is White House correspondent for The Chicago Daily News.

job all the time, but he wasn't dealing with the details all the time," the general said after he had left office.

He would have what he called "the First Secretary of the Government for Foreign Affairs," and on the domestic side, a "business manager," who would not supersede the Cabinet officers but who on behalf of the President would see that everything was working properly. Ike said that if a policy had to be changed, these men would have to come to the President.

"No President can ever delegate his power of decision," Gen. Eisenhower said. "This is his. There's no voting. There is no consensus. What he has to make up his mind to do must be on the best facts and best analyses he has brought before him. But these best analyses and best interpretations can be brought before him by people who are doing nothing else."

Mr. Nixon may be arranging his staff to perform the functions Ike outlined above. But, in a power-conscious environment, where mere access to the President is a cachet of immense influence, if not power, the potential for conflict between the staff and the Cabinet is admittedly great. It will be watched, of course, just as the role of Vice President Spiro T. Agnew will be relentlessly scrutinized by two separate and diametrically opposed monitors: those who think he has been placed under lock and key and those who believe he was given space in the White House itself so that proximity and precept will make him the best qualified man to act in event of an emergency disabling or removing the President.

Under the most charitable circumstances, a Vice President's functions are limited. Harry S. Truman, a victim of being uninformed and excluded when he became President upon Franklin Roosevelt's death in 1945, spoke out of a deep experience when he said in his memoirs that the President must decide every major domestic policy and make foreign policy and negotiate treaties, and then added:

"In doing these things it would be very difficult for him to take the second man in the government—the Vice President—completely into his confidence. The President, by necessity, builds his own staff, and the Vice President remains an outsider, no matter how friendly the two may be. There are many reasons for this, but an important one is the fact that both the President and Vice President

are, or should be, astute politicians, and neither can take the other completely into his confidence."

Every President has organized the White House, and taken control of the levers of power, in ways that suit his mode of operation. Mr. Nixon said in his first days as the tenant in the Executive Mansion that he would have "to get the feel of the place" before he got that feeling of belonging. He talked then about being a creature of habit and

having to work out what was most comfortable to him. He astonished some by suggesting he might want to work in a smaller office in the Executive Office Building across the street, where he might do his "brain-work" more comfortably. "I like to work in a relatively small room with my papers all around," he said.

A President must also get the feel of his staff. In the end, he will discover, as John F. Kennedy did, that

"I bear the responsibility of the Presidency of the United States, and it is my duty to make decisions that no adviser and no ally can make for me. It is my obligation and responsibility to see that these decisions are as informed as possible, that they are based on as much direct, firsthand knowledge as possible."

Mr. Nixon has indicated he wants all options and alternatives to be presented to him on major issues, not just those refined out and judged by his staff. If past history is an accurate guide, his problem will not be in getting the opportunity to make decisions but in getting those decisions implemented.

Even the best staff and the most energetic Cabinet cannot always assure him that things will happen simply because he decrees it.

Mr. Truman once described what Gen. Eisenhower would experience if elected in 1952. "He'll sit here," Mr. Truman told an aide as he sat in the Oval Office tapping his desk, "and he'll say, 'Do this! Do that!' And nothing will happen. Poor Ike—it won't be a bit like the Army. He'll find it very frustrating."

In one of his most widely quoted remarks, Mr. Truman summed up all problems of Presidents, including Mr. Nixon, regardless of how they've organized their government:

"I sit here all day trying to persuade people to do things they ought to have sense enough to do without persuading them. . . . That's all the powers of the President amount to."





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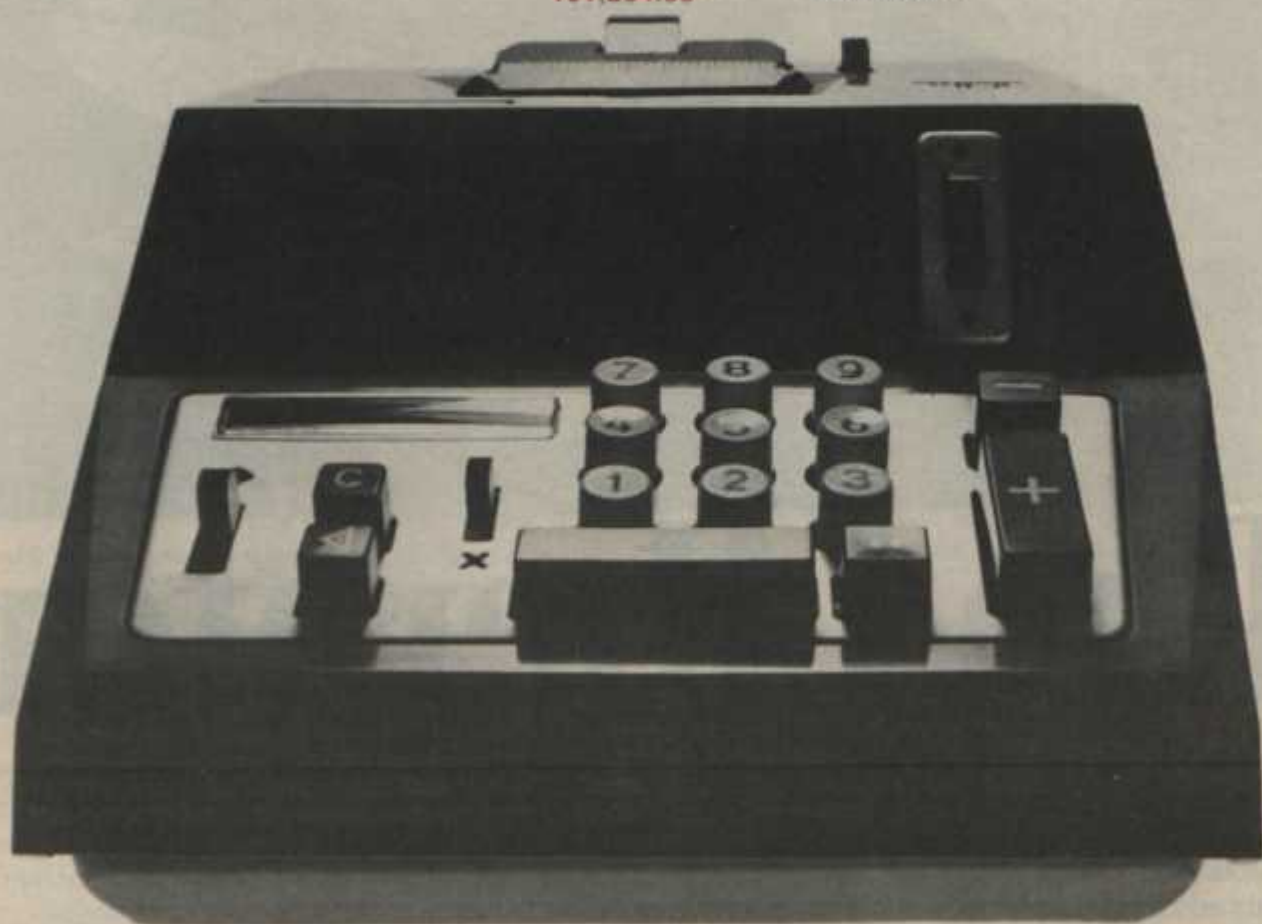
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The unsatisfactory procedure by which we have come to choose our Presidents is again receiving Congressional examination.

To some extent this scrutiny is habitual on the heels of every closely contested election. Yet, since 1803, no Constitutional Amendment to revise the system has achieved the requisite two-thirds majority in both Houses. And even if that hurdle is surmounted it would still be necessary to secure ratification by the legislatures in three fourths of the 50 States.

This time, however, there is more concern, and therefore a somewhat better prospect of reform, than for many years. Because of a strong third-party candidacy there was a real possibility that neither the Republican nor the Democratic nominee would receive a majority of the electoral vote last November. In that case election of the new President would have been delayed at least two months and then turned over to the incoming House as a political football. To prevent recurrence of such a disastrous prospect in 1972, revision of present practice is needed.

The simplest procedure, obviously, would be to scrap the indirect electoral system altogether and have the President chosen by direct popular vote. From the mechanical viewpoint there is only one serious objection to this. It would tend to increase the number of candidates and thereby decrease the chance that anyone would secure a majority of the total vote. This criticism is met by the suggested provision for a prompt run-off election between the two leading candidates, if the plurality of the leader in the first voting falls below a certain percentage, say 40, of all the ballots cast.

But because this seems the easiest remedy does not mean that it is the most likely of adoption. Working against it is the fact that the present electoral vote, which in each State is equal to the number of its Senators and Representatives combined, is weighted in favor of the less populous Commonwealths. Thus New York, with 42 times

HASSLE OVER THE PRESIDENCY

BY FELIX MORLEY



the population of Vermont, has only 14 times the electoral vote of the latter — simply because Vermont has as many Senators as New York and one electoral vote for each.

No State can have less than three electoral votes. But there are 21 of them that currently dispose of six or fewer of these all-important counters. It is not to be expected that any of these 21

would be eager to ratify a Constitutional Amendment sharply reducing its influence in the election of a President. Yet all but 13 States must do so to adopt this or any other Amendment that the present Congress may approve.

The theoretical objection to direct popular election of the President lies close beneath this practical impediment. In spite of the greatly increased centralization of power in Washington, the Constitution remains that of a federal republic. By definition the President is chief executive of these United States and not of the American people as a conglomerate whole. The States all have their own legislatures and preserve a good deal of autonomy, as in the control of voting age and other election procedures. To cede this authority to the central government would be regarded by many as deplorable encroachment on States' Rights.

Therefore two other proposals will receive careful consideration in both Houses. Both these alternatives would retain the electoral vote, but with modifications to prevent the practice of "winner-takes-all." This is the much criticized custom whereby the entire electoral vote of a State is credited to the candidate who receives a mere plurality of the popular vote in that State.

The inequity of this practice would be pronounced even if the Supreme Court had not enshrined the principle of "one man, one vote," and ordered the reapportionment of State legislatures

Contributing columnist Felix Morley is a Pulitzer Prize-winning former newspaper editor and college president.

in that pattern. Repudiation of this democratic ideal was flagrant in last November's election, because of the Wallace candidacy.

In Texas, for instance, Humphrey received a shade under 40 per cent of the popular vote, yet was awarded all of that State's 25 electoral votes. But the disparities were impartial. Illinois sponged out Texas by giving its 26 electoral votes to Nixon, although he was the choice on only 47 per cent of the ballots counted there.

Winner-takes-all in effect disfranchises everyone who does not vote for the leading candidate in his or her State. Therefore it is a strong argument for those who want the votes counted nationally, forgetting State lines. But it is pointed out that the democratic principle could also be sustained without injury to the federal structure, merely by making the electoral vote proportionate to the popular vote in each State.

Of the two plans to this end one would eliminate the office of elector, but keep each State's electoral vote as is. This would then be divided, down to two or three decimals, in exact proportion to the popular vote cast for the Presidential candidates in each State. The high man, adding the adjusted electoral votes of all States together, would win. Again there would be provision for a run-off between the two leading candidates. This is close to the solution President Nixon supports.

Alternative to this is the District Method, which would retain the Electoral College but compel each elector to vote for the candidate who carried his constituency, with the two electors who are chosen to offset Senators voting as the State as a whole had done. This procedure is what the Founding Fathers anticipated. But they thought it proper to leave the selection of electors to the States. Then, with the development of political parties, the one dominant in each State quickly accepted winner-takes-all as the technique most promising for power and prestige.

Unquestionably the tangled situation that has developed is politically advantageous, here to one party and there to another. In particular it is the prospect of delivering the solid electoral vote of a big State that most easily draws heavy financial contributions into a Presidential campaign. So it is not going to be easy to get any of the proposed amendments approved, let alone ratified.

Nevertheless the demand for some action is strong and for every objection raised at the Con-

gressional hearings witnesses are ready with answers, though not always good ones. For instance, to meet the problem of fund-raising it is suggested that the cost of financing Presidential elections be taken over by some Washington agency. Sometimes the cure can be more disastrous than the disease.

Actually, no Constitutional Amendment is necessary to institute the District Method. The State legislatures, each acting for its own area, could put this reform into effect piecemeal. But there's the rub. All 50 States would have to act in concert to make the change acceptable. And there is currently no organization adequate to give such a movement nationwide promotion.

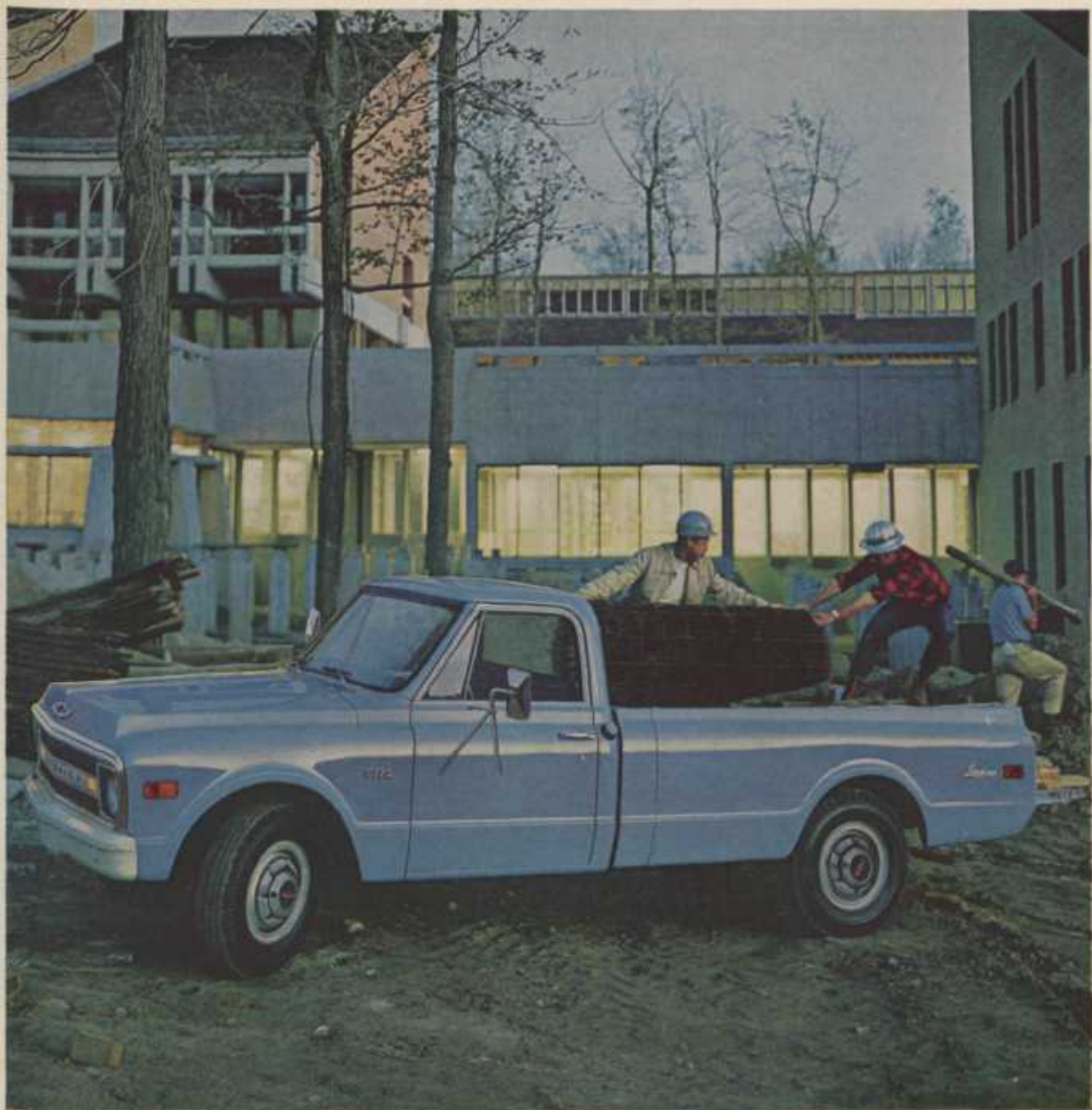
Another factor is the impossibility of controlling the elector who decides to assert his present Constitutional right of independence. At all recent Presidential elections one or more have asserted this prerogative and made it stick. The current maverick is a Republican North Carolina elector, Dr. Lloyd W. Bailey, who cast his electoral vote for Wallace although his State in November gave Nixon a plurality. His justification was that since the district which named him as an elector had voted predominantly for Wallace it was appropriate for him to follow that lead.

When the electoral vote was formally counted by the present Congress an ill-judged effort, fortunately rejected by both Houses, was made to cancel the vote of Dr. Bailey. It was an attempted assertion of an overriding Congressional right to determine the outcome of a Presidential election, a power which the Founding Fathers did not think Congress should have. Indeed that is precisely why they established the Electoral College, a device of which the deficiencies rather than the virtues now seem uppermost.

Whether a generally acceptable formula can be hammered out is a major test of statesmanship for the new Congress. The problem is in no sense partisan, but is undeniably complicated. There are sharp differences of opinion as to answers.

Therefore clear, comprehensive and objective reports from both Senate and House committees are needed, as soon as the hearings are completed. For what is at stake is nothing less than the capacity of this Republic to adapt its political institutions, with a minimum of distortion, so that they serve well under conditions vastly different from those for which they were designed.





Chevy pickups don't mind a few hours overtime.

Or a few years.

Chevrolests aren't clock-watchers. They're built to go as long and late as you want. Which is good news if you're a profit-watcher.

Consider for instance, that of all the popular pickups, only Chevis offer full coil springs on most models for soaking up strain. Have built-in fender liners for

stopping rust. Full double-wall Fleetside boxes that mean double-muscles.

Of all the popular pickups, only Chevis offer 2- and 3-speed automatic transmissions. Wood or steel flooring. And a full half-dozen engines to pick from.

Which are some of the reasons why Chevis aren't

calendar-watchers, either.

Industry records show a lower percentage of Chevy trucks scrapped than any other make year after year.

If you're working overtime tonight, why not see your Chevrolet dealer first thing tomorrow morning. . . .

Chevrolet Division of General Motors, Detroit, Mich.



More trucks are Chevrolets because Chevrolet is more truck!

Dodge

SOME COMPANY CAR. SOME COMPANY.

If you believe that a man is known by the company he keeps, consider this suggestion. Get your men keeping company with Dodge Chargers in your fleet and see how fast the word gets around—that yours is a company with rare good taste. Because Charger is any number of cuts above the average fleet car. With front bucket seats, disappearing headlights, a 318-cubic-inch V8 engine that runs on regular gas, and other unexpected touches in its standard specifications. With power steering,

power brakes, and air conditioning by Chrysler Airtemp among its reasonably priced options. And the price for this handsome, sporty package is reasonable, too. Much less than you'd think. For super performance, order Charger R/T (shown above), with a 440 Magnum V8 as the standard engine. If you're skeptical about the price, call in your nearby Dodge Dealer. He'll soon show you how little it costs to keep company with Dodge Charger. The resale value is great, too.

CHARGER...the unexpected fleet car.

Let's take a look at one incident in the persistent series that has brought violence to the campus at Columbia University for more than a year.

It's very much like incidents on other campuses in which malcontents with mob mentalities gain bravery in gangs to vent their hostility toward a system in which they have failed to achieve, or fit.

Frequently such rabble parades under the banner of the Students for a Democratic Society, which is a perversion of terms since the principal objective appears to be the overthrow of democratic processes by force. And many are not students.

Force is about the only way these malcontents can bring attention to themselves, which must be their intent rather than their stated objective. They constitute a very small, sad minority on America's campuses. While their ability to disrupt is demonstrated, their chance to prevail is limited to the degree of timidity of the authorities.

At Columbia the excuse for mob action was the presence of Army and Air Force representatives on the New York City campus.

The officers' purpose was recruitment—a term which conveys to some a much more compulsive activity than what actually takes place.

Representatives of the armed services offer college students only one thing—discussion of the opportunities in the services that may fit into the interests of the student, or otherwise appeal to him.

It is a voluntary offer. Students are informed by bulletin board or other means that representatives of the services will be there at a fixed date and time. Students who show up for interviews do so on their own initiative.

The process is about the same as that followed by company representatives who visit campuses to fill civilian jobs.

There is one exception. Campus mobs have found enough support for draft dodging among faculty and clergy that they feel fairly safe in



BY ALDEN H. SYPHER

WHAT ABOUT MAJORITY RIGHTS

attacking the armed services.

This gives them an opportunity to demonstrate their complete contempt for law, order and justice, for their country, for the system, and for the administration and faculties of their schools, excepting only those faculty members who are with them.

About 150 bearded boys and glamorous girls, stimulating one another to excitement and the loss of normal restraint and rational control, moved in a mob on a building at Columbia where service officers were answering questions of several dozen students, who were there on their own free choice.

Some of the mob were Columbia students. Others appeared to be off New York's streets.

In front of the building they met a line of 50 New York policemen. While 1,500 or more young people whipped into mob madness may readily take on 50 cops, 150 are more likely to back off from a three to one ratio, and seek less qualified adversaries.

That's what these did. But first they shouted at the police, and from their rear ranks were pitched two stench bombs which sailed over the policemen's heads.

One landed on the steps, doing no harm. The other crashed through a second story window and filled a library room housing important reference books with a horrible stench. It did no other damage.

At this the cops drove a wedge into the mob and extracted two of its members against whom the police filed minor charges. One was a student. The other was not, although he claimed to be.

After this bit of bravery the accumulation of square pegs marched off the campus and down a busy New York street five abreast, fists raised in a Castro-like salute, shouting:

"Ho Ho Ho Chi Minh," and

"Smash the military, the Viet Cong will win."

They returned to the campus but veered away from the police-guarded building in favor of a safer scene to continue demonstrating their version of student power.

Using stairs and elevators they swarmed onto

Contributing columnist Alden Sypher is former editor and publisher of Nation's Business.

the sixth floor of another building, this one unguarded. There they jammed into the placement offices, occupied only by women.

Demonstrating spirit and courage far beyond the call of duty, some drove their fists or elbows through glass door panels. Others tore company recruiting posters from bulletin boards. Some pushed into the academic placement office, which finds jobs for potential teachers.

Two secretaries blocked the door to a room where the files were stored. In the outer office members of the mob knocked over shelves of books, ripped out a telephone, overturned and smashed an electric typewriter, and spilled water on the floor.

They also frightened the daylighters out of the women.

"I've never been through anything like this in my life before," said Yvonne Staples, assistant director of the office. "I was terribly frightened." After five minutes the vandals left the building and returned to their gathering point, the sundial at South Field.

There a young man who identified himself as Robbie Roth, a member of the steering committee of the Columbia chapter of the SDS, granted reporters an interview.

"We are showing the university that every time it helps the war in Viet Nam, we will exact reprisals," he said.

"They've got to be made to realize they will have to pay a price if they go on collaborating with the military."

What price vandalism at Columbia?

Listen to Dr. Andrew W. Cordier, acting president:

After inspecting the wreckage the malcontents had caused in the placement offices, he said the action was clearly "illegal."

However, he said, he would let the university's regular disciplinary procedures take their course, and added that he was "rather pleased by the way things went this morning, considering the size of the trouble last year."

Just what Dr. Cordier found pleasing was difficult to see, unless he referred to the fact that last year a somewhat less than stout-hearted board of trustees had canned the president in compliance with the demands of a small minority of the student body and some outside agitators, in the wake of campus violence—and the same fate has not yet descended on him.

(This method of buying peace works no better now than when Chamberlain tried it in 1938.)

It's otherwise difficult to find Dr. Cordier's source of pleasure in a situation in which 150 students out of more than 17,000—a minority of about .9 per cent—seek to force their will on the majority through violence and vandalism.

Nevertheless they've made a pretty good start.

Two years ago a referendum in Columbia College and the School of Engineering resulted in a 67.3 per cent approval of military recruiting on the campus.

A five-member faculty committee also approved it after a study directed by a vote of the faculty.

For several days before the armed services visits to the campus Dr. Cordier consulted with administrative and faculty leaders on whether the appearances should be canceled or postponed.

The day before the visits the acting president issued a statement defending Columbia's long standing policy of permitting recruiting on the campus.

Then came the mob's march, 150 strong.

These are not alert young Americans seeking to communicate to their elders a well-reasoned, well-founded criticism of the pattern and system of America's higher education and to express their desire to take part in updating that system, as some of our academic and social bleeding hearts would have us believe.

With few exceptions they are outright vandals, incredibly encouraged by their elders' incredible timidity about punishing them.

They are a tiny minority that should be removed from their present freedom to interfere with the great majority of students who are seriously taking advantage of an opportunity to become educated.

But the influence of this rabble, shouting for a defeat of America and crying for a victory of the Viet Cong, is as incredible as the authorities' timidity.

After this instance of vandalism Dr. Cordier issued an addendum to his statement supporting armed services recruiting at Columbia.

He and the executive committee of the faculty, he said, would appoint a committee to review that policy.

If you're going to stay at Columbia, Yvonne Staples, you may as well forget orderly procedures, and get used to unrestrained mob action.





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Another time it tells you UPS**

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Since more and more businesses are using both parcel services, it was inevitable that somebody would come up with a scale that could handle both jobs. And inevitably, that somebody was Pitney-Bowes.

Our new 3705 has two faces because it is actually two scales. A 70-pound capacity parcel post scale (white face) and a maximum weight 50-pound capacity United Parcel Service scale (yellow face). We could have settled for that, but we didn't.

It seemed to us that a two-faced scale ought to be twice as honest. Because otherwise a business could lose twice as much money on postal errors. (An inaccurate scale can hike up postage bills by as much as 20%.) Even worse, with the postal policy of

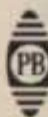
delivering postage due mail instead of returning it, the customers might end up footing the bills for many of the parcels a business mailed out to them. The potential loss of customers and customer confidence could be irreparable.

Since friction is the major villain behind "weight lies," we made a zero friction scale, with special temperature coils to bring the charts back to zero after each weighing. Then we designed a system of geometric castings to prevent distortion or variation if a package were placed, say, at the edge of the scale instead of squarely in the middle. Which means that anywhere you plunk it down, it weighs the same.

We even took special precautions

to insure that you'd read our honest weight correctly. A double sight-line, illuminated reading areas, magnified viewing windows, oscillation control, and a bull's eye leveling device.

So if you have one, or two scales that are doing less than an honest job of weighing your parcel post and UPS packages, give them up for one new 3705. It's guaranteed to tell the truth.



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NATION'S BUSINESS

MARCH 1969



Tax returns are checked by girls for completeness and legibility before information is extracted and put on magnetic tape. One entire year's return fits neatly on a fraction of an inch of tape.



Revenue agents once paid a call on a small Middle Western company to look over the books for an income tax audit. They ran straight into locked doors, guns and threats to "git or git shot."

A California businessman, told he was being audited, dropped dead.

Of course not everyone reacts so extremely to the Internal Revenue Service. Most of the 75 million individuals and five million businesses paying an estimated \$185 billion this year to satisfy Uncle Sam's insatiable need for money—the sum includes other federal levies as well as income tax—do so with resignation, if not enthusiasm.

Few Americans have a clear idea of just what happens to their return after they slip it into a mail slot, deliver it to IRS or send in their information on magnetic tape as thousands of large companies do.

Since it's your money, you surely have the right to know the whole story of what happens. Here, with the cooperation of IRS, is the picture of who checks what and how on your tax return.

The levying of American income

WHAT REALLY HAPPENS TO YOUR TAX RETURN

taxes amounts to the greatest paper shuffling, money collection, computer recording and auditing extravaganza in the history of mankind.

It is carried on between the most honest taxpayers in history and a government which goes further than any other to collect only taxes which are due.

There are exceptions, of course. But on the whole, the tax paying and collecting process in this country doesn't involve the cheating, lying, threatening and gesticulating that it does elsewhere in the world.

Collection of taxes abroad is a hit or miss affair compared with the American system of computers, maintenance of records on magnetic tape, punch cards, double checking of returns, appellate system, auditing conferences, use of certified public accountants and tax lawyers, ironbound secrecy maintained over tax records, the Tax Court, District Court and Supreme Court as avenues of redress, and a vast system of communications between taxpayers and IRS.

Of the 80 million returns this year only three million can be given



PHOTO: SCOTT BRACKER—BLAZER STAR

real audits. That's the number IRS has manpower to handle. Though many will be challenged for other reasons, only 75,000 to 80,000 will be disputed because of disagreements over tax laws.

And of these, 5,000 will head for the courts. Taxpayers take the government to court more often than the government takes taxpayers.

Practically all arguments will be settled before cases are called.

Besides court confrontations over differences of opinion, there annually are about 1,000 cases involving fraud indictments. Last year there were only 756 convictions.

Your return arrives

The vast IRS system—staffed by 65,000 employees dealing with 12,000 forms and form letters—grinds into action when a company or individual tax return arrives at one of seven regional service centers. They are in Philadelphia; Chamblee, Ga.; Austin, Texas; Ogden, Utah; Kansas City, Mo.; Covington, Ky., and Andover, Mass.

Since 40 per cent of all Americans wait until the final two weeks of

tax period to file, the pace gets hectic. On big days more than 150,000 returns a day pour into each service center.

Returns are first numbered and sorted by districts within the region. Envelopes are cut open and contents emptied. Checks go off immediately to Federal Reserve Banks and returns are sorted into stacks according to partnerships, corporations, self-employed persons and individuals.

Envelopes are run in front of strong light to see if any papers or checks remain stuck inside. Then the same envelopes are literally blown through a fancy machine which separates those with anything still in them.

The first year these machines were used in the Philadelphia service center, overlooked checks for \$40,000 were found. Since a machine costs about \$1,000, IRS figured it made a good move installing them. Areas where returns are handled can be entered only by employees or persons with IRS approval. Everyone signs in and out and wears identifying badges. Visitors are en-

couraged to stand well back from desks where open returns are stacked. IRS security people are aware of industrial spies who would like nothing better than to get a good look at a competing company's return. Occasionally, small taxpayers will remit in cash instead of by check or money order. When greenbacks show up in an envelope the girl opening the return immediately holds up her hand. A supervisor comes over and together they count the cash and each signs for it.

Examiners carefully go through every return, checking for completeness and determining if such things as the Social Security number or company identification are entered properly.

This is the first round of "eye-balling" and it is at this stage that some taxpayers are advised what they did wrong or that their handwriting can't be read.

Business and individual returns flow along together. At this point the return from a fellow earning \$601—minimum requiring filing of a return—may be just next to the huge one coming from General Motors Corp., which had an "income tax provision" of \$1.25 billion in 1967. They get the same treatment.

Dollies loaded with examined returns are wheeled to areas where hundreds of girl operators extract needed information and put it on punch cards. Taxpayer arithmetic is checked at this stage.

After checking and extracting information, cards are sent to computer rooms and their information is put on magnetic tapes.

Individual returns go into storage, where they stay for about three years. The great majority will never again be seen by human eyes. Business returns are filed usually for seven or eight years. Some are kept longer.

Only returns raising suspicions or having errors will later be withdrawn from files and used in audits.

Computers "know the score"

Magnetic tapes with miles of tax information are rushed from service centers by air and truck to Martinsburg, W. Va., where the National Computer Center is.

Only 257 people work at the cen-

WHAT REALLY HAPPENS TO YOUR TAX RETURNS *continued*

ter, an around the clock, seven days a week operation. Only Christmas and Thanksgiving are holidays, and then skeleton crews are on duty. The world's fastest input and output computers are used. Data sent by service centers is put on master tapes at the rate of 680,000 characters per second.

IRS must balance its books to the penny after each computer cycle. Last year after one cycle the balance was off one cent.

An entire day and night were spent re-checking before the mistake was located.

Earlier this year a 99 cent error was found and several hours were required to run it down.

Computers do several jobs. A major one is to match data which originated on returns with payroll, interest and dividend data previously sent to IRS by companies. Another job is to group tax information for each company and person for the two preceding years with 1969 information. About 52 million tax refunds are made annually on information supplied by these computer runs.

The new thing this year is that the computer gives a "score" to each taxpayer with an income of

less than \$10,000. Next year everyone will be scored.

A score is determined by how close the return comes to what IRS considers the norm for a taxpayer of that income bracket, with that particular type of business, with similar dependents or deductions, with that particular variety of income sources, in that geographic area, etc.

The approximately 2.5 million returns receiving the poorest scores in 1969 will be reported back to regional and district offices, and will be thoroughly audited. If a return gets a good "score" at Martinsburg, it most likely will never be audited.

Other returns to be audited are from companies with complex lines of business and numerous sources of income. There also is a spot auditing of returns which involves only 100,000 to 200,000 individuals.

"Eyeball" confrontation

Returns which flunk the "score" are "eyeballed" at length at an IRS office near the taxpayer's home.

If a question is raised by a return sent in, for example, by a construction company, one of 200 tax engineers specializing in construction matters will go over the return. IRS has experts in every business imaginable.

A year or two may pass before the taxpayer or company is notified something is believed amiss. However, Uncle Sam usually moves faster than that.

In 1968, 75 million returns were checked and settled within a few weeks. Two million had errors of overpayment and three million had errors of underpayment. These were put right in a hurry.

Taxpayers' errors have been known to be compounded by IRS. An incorrect identification number entered by a secretary on a Philadelphia company's return misled IRS computers into issuing a \$2 million refund check.

The mistake was discovered, and the company rushed to correct it and return the check. Next year, the same secretary made the same mistake all over again.

Some audits go on for months and involve dozens of meetings between IRS men, taxpayers, lawyers and CPA's. Records and ledgers are produced, bank accounts are studied and sometimes tender feelings are stepped upon.

A rich TV comedian was audited last year and a question raised over \$82 he spent for lunch at Miami

Beach attended by two business contacts. The comedian insisted the figure was correct. Since it was then lunchtime he invited the two IRS agents who were questioning him to go to lunch.

They did. The bill was \$108. No further question was raised by the government over the item.

Sticky audits, whether they involve honest disagreements or dishonesty, lead to the Tax Court, Federal District Court and, three or four times a year, to the U. S. Supreme Court.

Proportionately, IRS has the most trouble with individual returns sent in by lawyers, accountants, bookkeepers, tax return preparers, doctors, dentists, business service operators, restaurant owners and construction contractors.

Keeping out of court

Individuals, companies and IRS have all sorts of opportunities to keep tax disagreements out of courts. There is an extensive system of further auditing, conferences between tax lawyers and IRS men, appeals and IRS reviews by supervisors.

If possible, agreements will be reached, even if IRS has to reduce drastically its estimates of amounts owed.

In many cases IRS faces the simple fact it cannot collect all the dollars it believes are due.

In 1968, during appeal procedures, IRS agreed to give up on 67 per cent of the additional tax it was trying to get.

This was the only way it could stay out of court, not become entangled in long, drawn out tax battles, avoid the risk of losing, and still get part of the money.

It's rare for a business to send in an intentionally incorrect return. But, each year there are a few fraud cases and they usually involve one or all of these: understatement of income, failure to show all bank deposits here and abroad, overloading of deductions, overstatement of contributions and failure to trace company money through various transactions.

Until a few years ago a major point of contention between government and business was entertainment expenses. This is now largely cleared up. All entertainment expenditures of more than \$25 must be backed up with a receipt showing who was entertained, where, when and how much it cost.

In recent years, especially since

Envelopes get a final check before they are destroyed. If the smallest piece of paper is inside, the envelope will not clear this machine. One year, \$40,000 in checks were found stuck in discarded envelopes at one IRS center.



the dawn of "The Age of Mergers," American companies have been increasingly using the IRS advance ruling mechanism.

Rulings in advance

Between 30,000 and 40,000 Americans, most of them businessmen, each year write IRS and describe a situation which they may soon face. What to do taxwise if two companies merge? How would taxes be affected if a partnership were formed? What about reorganization?

What about corporate or individual taxes in particularly complicated situations?

IRS has an office staffed by 700 lawyers and accountants which produces advance rulings, usually within 60 days of being queried. These are binding on the government if the business situation eventually develops along the lines described by the inquiring businessman.

One recent request for a ruling on a famous merger case involved so many sheets of paper, charts and maps it was one and a half feet thick.

Another advance ruling request came from a man who wanted to buy an entire county. He contended that county bonds would then be his bonds and that interest he paid on them would be paid to himself and therefore should be tax exempt. Paying county taxes would be to pay himself, and he asked deductibility.

This was too much for the Advance Ruling Office to cope with. It threw up its hands. The man bought the sparsely populated county, filed his return as he saw fit, the case was taken to courts and it was settled piecemeal over several years.

Apparently the man is happy because he still owns the county and he hasn't gone broke.

A case which really puts IRS to tears ended several years ago with the death of a quite wealthy Philadelphia lawyer who never paid a penny of income tax in his life.

The lawyer knew tax matters so well he dodged the lot. He never opened a bank account, signed a legal paper, took out a license, paid state or local taxes which required paper work, owned property in his own name or made a donation in anything but cash.

He was a "non-person" as far as IRS was concerned and IRS didn't know he existed until he died and his will went up for probate. **END**

THE MOST FREQUENT ERRORS

What are the most frequently made errors regarding business returns?

During 1968 IRS said they were: 1. Incorrect (or missing) business code numbers; 2. Missing employer identification numbers; 3. Errors in mathematics; 4. Failure to send in quarterly payments.

What's being done about this: IRS now sends a revenue agent to every new business, regardless

of size, who goes at length into tax matters and requirements. A "Mr. Businessman's Kit" prepared for that particular business includes all forms needed, and rulings affecting such companies.

The company is given the telephone number and name of one particular IRS agent it can call its own. Whenever a question on taxes arises, the company can contact that agent directly.

WHAT "UNCLE" WILL KEEP TABS ON

What information about your company's business will Uncle Sam keep permanently, or at least for the next six to eight years?

Below is a list of items of information retained on magnetic tape at the National Computer Center at Martinsburg, W. Va. Most of it is duplicated and sent to a secret hydrogen bomb-proof storage spot.

IDENTIFICATION

Employer identification number
Name
Street address
City-zone-state

RETURNS AND ACCOUNTS SECTION

Interest due
Interest paid
Date return filed
Installment tax amount
Installment interest
Type of notice to taxpayer
Date issued
Remittance amount
Tax liability

INCOME ITEMS

Net receipts
Cost of goods sold
Dividend income
Interest income
Other income
Total income

EXPENSE ITEMS

Compensation of officers
Salaries and wages
Rent expense
Interest expense
Contributions expense
Losses
Depreciation
Depletion
Advertising
Pension plans
Other deductions
Total deductions

TAX COMPUTATION ITEMS

Net taxable income before net operating loss deduction and special deductions

Net operating loss deductions
Special deductions
Net taxable income
Total tax
Estimated tax payments and other payments
Other special credits
Tax due or overpayment
Refund
Credit for foreign taxes
Net capital gain or loss

BALANCE SHEET

Notes and accounts receivable
Reserve for bad debts
Other reserves
Beginning inventory
Ending inventory
Depreciable assets
Accumulated depreciation and amortization ending
Other nontaxable income
Adjustments for tax purposes
Other adjustments to surplus
Total cash distributions
Total other distributions

AUDIT ITEMS

(Each type of tax)
Overassessment or deficiency
Penalty and interest
Adjustment
Abatement or assessment of additional tax
Record of payments and other transactions
Reason for overassessment of deficiency

BALANCE SECTION

Total net balance



PHOTOS: PHOTO RESEARCHERS INC.,
FRED A. MARSON,
LASTFOTO,
PIR INC.,
BLACK STAR

FIVE POWDER KEGS TO WATCH

There's a rule of bully diplomacy that the Soviets like to apply. It is, "Hit a new President hard. Find out if he panics."

John F. Kennedy ran into a fusillade of Khrushchev threats and ranting in Vienna in 1961 four months after he became President. In another two months the Berlin Wall went up.

Dwight D. Eisenhower was struggling to clear up the fighting phase of the Korean War in 1953 when the CIA told him the shocking news that communists were about to take over their first Western Hemisphere

nation—Guatemala. Harry S. Truman had the Cold War dumped in his lap and the Iron Curtain slammed in his face less than a year after taking office.

After President Kennedy stood up to them in the 1962 missile crisis, the Soviets, plagued by Red China and by the Kremlin power struggle which saw Khrushchev deposed, remained relatively quiet for two years. Then in 1965, four months after Lyndon B. Johnson began his own term, Dominican Republic communists, along with professional troublemakers and ambitious left

wing military men, bid to overthrow the government. At the same time Hanoi and the Viet Cong were stepping up their attacks in Viet Nam.

These events and their sequence have foreign affairs observers in Washington, at the UN, and in London, Bonn and Paris wondering if the Soviets will again put pressure on a new man in the White House—Richard M. Nixon.

Problem spots are sprinkled around this troubled globe which can test Mr. Nixon and his new team of foreign affairs advisers. The Soviet Union can play on many of

them like an organ master, turning one to full blast while diminishing the sound and fury of another.

Five of the hottest ones are: West Berlin, the Middle East, the Persian Gulf, the Far East and inside the Soviet Union itself. Viet Nam, of course, has shifted to the conference table and apparently is cooling down.

Danger in West Berlin

West Berlin is a prime potential powder keg. Here, in the late 1940's, 1950's and early 1960's, took place some of the classic confrontations of the Cold War. Repercussions of a meeting scheduled for West Berlin early this month could accompany another confrontation.

The West German government decided it would hold an election March 5 in West Berlin for the Federal Republic President. Only members of West Germany's national and state parliaments vote.

Announcement that the meeting would be held infuriated the Soviets and East German communists. They said that West Berlin is not part of West Germany and that President Nixon, Prime Minister Harold Wilson and Gen. Charles de Gaulle overstepped their authority as leaders of West Berlin's occupying powers in agreeing to the meeting. East Germans, obviously acting with approval of the Soviets, threatened to break up the meeting.

No one any longer expects World War Three to break out over West Berlin—as it appeared it might do too frequently in the past—but after-effects of the meeting could go on for months.

After other violent disagreements between the wartime Western Allies and the Soviets over handling of Berlin affairs, there was nerve-racking blockading of autobahns into the city; "buzzing" of Pan American, British Overseas Airways and Air France flights; East German army "maneuvers" which necessitated closing the autobahns; the Berlin Blockade of 1948, and the building of the Berlin Wall and tedious inspections of travel documents which backed up Berlin traffic and supplies and threatened viability of the city.

An American President is committed to resisting, with force if necessary, a take-over of Berlin.

By mid-March reactions could become especially severe because a score or more neo-Nazi members of the West German political party, NPD, will vote. The party is headed by Adolf von Thadden, it has

won seats in several German state parliaments and it is anathema to the Soviets and East Germans.

Danger in the Middle East

Potentially the most explosive spot at the moment is the Middle East. American business is vitally involved in the area.

All winter more people were making more efforts in more places to maintain peace in the Middle East than ever were made to de-escalate Viet Nam. Very often in foreign affairs, when many nations work toward peace, they succeed.

But meantime there's the no-quarter battle going on between Arab and Jew. Most dangerous actions take place between Israel and Jordan and between Israel and Iraq. Jordan is led by King Hussein, a moderate Arab leader who is blasted from all sides. Israeli moves against him have been so damaging that one school of thought in Washington has it that the Israelis are trying to topple him.

If they do, reasoning goes, Jordan will come apart and Israel will have a strengthened claim on Jordanian territories, including the West Bank of the Jordan River and the Old City of Jerusalem, captured in the 1967 war.

Several times recently when it looked as if a new full scale Arab-Israeli war would break out, the Soviets joined the U. S. in trying to dampen down the trouble.

This effort was in contrast to the fast buildup of a 50-ship Soviet Mediterranean fleet, to usage of Soviet pilots to revive the Yemen civil war, to completely refitting the Egyptian army and air force at a time when the Israelis were begging the U. S. and France for war materiel.

The Soviet fleet already calls at Alexandria, Egypt, and Latakia, Syria. Now Moscow is pressing hard on Algeria for use of the giant former French base, Mers el Kebir.

The Nixon Administration is working through several channels to keep the Soviets out. One plan is to make U. S. agreement to some phases of international disarmament contingent on Soviet cooperation in the Middle East.

What's the aim of the game the Soviets play?

Here are the answers: bolster Abdel Nasser of Egypt, embarrass the U. S., show the Soviet flag in a part of the world relatively new to the Soviets, protect sea routes into the Black Sea, divert attention from the grab of Czechoslovakia, avoid another Arab debacle such as the

five-day war in 1967 which made the Russians and their Arab allies look so bad, draw attention from President Nixon's overtures to the Arabs, and finally, get into a position to shut down world oil routes.

The Soviets have not lost sight of the fact that less anti-Arab policy has emerged in Washington.

Danger in the Persian Gulf

The Persian Gulf area, first cousin to the Middle East in geography and heritage, is of possibly more interest to American business than is the Middle East. The Gulf area threatens to become the new sore spot for the Nixon Administration.

Although the United States gets only seven per cent of its crude oil from the Persian Gulf, American companies for the most part supply Western Europe and Japan with Persian Gulf crude. These companies include Gulf Oil, Standard Oil of New Jersey, Standard Oil of California, Texaco, Amoco and Aramco. American investment is something in the nature of \$8 billion.

The British, who traditionally are the most acceptable foreigners in the Gulf, are pulling out militarily in 1971 for economic reasons.

As the date for withdrawal of British army, navy and air force units approaches, Soviet interest and activity increases. It's not that the Soviets need oil from Kuwait, Bahrain, Saudi Arabia, Iran and tiny Gulf sheikdoms. They already have plenty inside the Soviet Union. They don't need sand either, of course, and sand and oil are the two things the Persian Gulf has the most of.

The Soviets want a bigger role for strategic reasons. This desire goes back to 1941 at least, to the time of the Hitler-Stalin Pact in which the Soviets claimed eventual suzerainty over the area. The Soviets and Iranians have a gas and military equipment deal which is a deep worry to the State Department. And Soviet vessels already have started calling at Persian Gulf ports.

President Nixon is being urged weekly to match Soviet interest. The worst thing that could happen by the time of the British withdrawal would be for the United States not to have shown an interest in the Gulf, many experts say.

Danger in the Far East

In 1950 Secretary of State Dean Acheson made the comment he lived to regret—that the U. S. had little or no interest in Korea. With-

FIVE POWDER KEGS TO WATCH *continued*

in weeks North Koreans poured into the South and the war was on.

The two main potential trouble spots in the Far East are Korea and Okinawa. If these powder kegs go up it will be due more to Chinese Communists than the Soviets.

President Johnson committed the U. S. to begin the pullout from Okinawa "within a few years." Late this year Japanese Premier Sato is coming to Washington to begin collecting from President Nixon on President Johnson's promise. It is likely that at some date not too far off the U. S. will have to confine itself to small and inadequate Okinawa bases. When this happens there will be insufficient back-up, storage, landing field and naval base areas to support the 50,000 U. S. soldier commitment in South Korea.

Present U. S. policy is to try to persuade the Japanese that American bases on Okinawa protect Japan itself.

Technically, the Korean war still goes on and, aside from Viet Nam, the Korean peninsula remains the Far East's hottest spot. There is sporadic fighting and American soldiers still are killed there. If peace comes in Viet Nam and then the Chinese want to see the U. S. heavily occupied militarily elsewhere, Korea would be a prime place for the reviving of trouble.

Elsewhere in the Far East:

U. S. prestige steadily slips in the Philippines as a rugged brand of nationalism and anti-Americanism takes over in accompaniment to a slight increase in communist influence on Luzon and one or two other large islands. American business in the Philippines must operate under growing difficulties and restrictions.

The British performed skillfully in ending the Malaysian communist uprisings in the 1940's and 1950's. But now the British are pulling out. They will be gone by 1971. Malaysia and Singapore may then face domestic communists and others from Thailand and Viet Nam alone. They hope Australian and New Zealand units will be stationed in their territories and there will be frequent "calls" by U. S. naval vessels.

Considering the present temperament of Congress and the American people, if U. S. troops are requested they likely will be denied. Meanwhile, on the Malaysia-Thai border about 500 terrorists are living, collecting weapons and waiting for the



Pytor Shelest, in the hat, has vastly increased his influence in Soviet hierarchy. A hardliner who demanded Czech subjugation, he is at the elbow of Communist Party Boss Brezhnev.

time to strike again. One bright spot is a new tendency for several countries in the area, including the Indonesians, to work together and exchange intelligence.

No one knows in which direction Red China goes next, but it is increasingly evident that the army is a growing force in politics. As Mao Tse-tung approaches his eightieth birthday, and senility, the country develops a more military cast. The Chinese, too, are beginning to get back into the diplomatic business after three or four years of self-imposed political isolation. Red China wants to increase its influence on the Horn of Africa, in East Africa, in India and along the Soviet border.

Danger in the U.S.S.R.

Inside the Soviet Union itself a political pot is boiling which, although it won't likely cause a war, can disturb profoundly the first two or three years of the Nixon Administration as well as the whole Western world.

At winter's end a growing corps of foreign affairs specialists believes that Premier Alexei Kosygin will soon be a dim memory. "Liver trouble" may be cited as the cause of Kosygin's political demise. The real reason, specialists say, is that Kosygin opposed the hardliners at the time of the Czechoslovakian invasion last August.

Leonid Brezhnev, although more of a hardliner than Kosygin, also is reported in danger of losing his job as secretary of the Soviet Communist Party. Both opposed cutbacks in consumer item production in favor of war material.

As one specialist said in Washington, "It took two years for the Soviets to knock over Khrushchev after his fiasco in the 1962 missile crisis. It may take that long again to get Brezhnev and Kosygin out. But, they've got to go. It's a quirk of history that neither was loud in favor of invading Czechoslovakia but that because of the devastating effect the invasion had on foreign communists, they must pay the price. They were in charge at the time."

A side effect of the Czechoslovakian invasion was a statement Brezhnev made which in effect declared Soviet suzerainty over all the nations of the Central European Communist bloc. This infuriated Romanians, made Yugoslavs look to their army and guerrilla fighters and made Poles, Bulgars and East Germans nervous from the Baltic to the Black Sea.

A rising star within the Soviet Union these days is Pytor Shelest, a 60-year-old Ukrainian who some people say is the meanest communist since Lavrenti Beria, the executed secret police chief of the Stalin era. Shelest is leader of the hardline group in the Politburo which includes about six active members.

"Those were his tanks that invaded Czechoslovakia," say German specialists on Soviet affairs. "That's his fleet in the Mediterranean and he's the main one who wanted to refit the Arabs after the Israelis licked them."

President Nixon is an experienced dealer in foreign affairs and he has a revived National Security Council to guide him.

In addition he has Henry Kissinger as the White House's resident genius on what the Soviets are likely to do.

The next two years could be tense ones as the Soviets test the new man in the White House. Then comes 1971 when Britain finally folds its tent as a world power. Britain isn't much of a world power now, but there are still important remnants of empire.

After 1971 there will be nothing East of Suez and not much anywhere else.

It is well known that when the British pulled out of Cyprus, Nigeria, Palestine, India, East Africa and a dozen lesser places troubles began almost immediately, and troubles lasted for years. **END**

A message to those Americans who don't happen to think the land of milk and honey is going all sour.

Our country is in a strange mood these days.

Uncertainty surrounds us.

So what can you do about it?

Well, first of all, maybe you should take a long, hard look at this country of ours. Maybe we should look at our healthy side as well as our ills.

And maybe, just maybe, you'll find we're not all that bad.

Sure we have our problems. And they're not going to go away if you just stand along the sidelines as a spectator.

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COME THE PASSENGER DELUGE

AIRLINES WILL MAKE IT EASIER TO FLY



A grim report filed with the City of New York not long ago warned that if adequate new airport facilities are not found soon this great air hub can expect to lose 16,400 flights a year by 1970—a \$54 million loss to the economy.

But down in southern Florida—some 40 miles west of Miami—bulldozers are churning up the Everglades to convert a part of this primitive cypress swamp into what could become the world's roomiest airport.

In Texas-like tones, Alan C. Stewart, director of the Dade County Port Authority, says:

"The new South Florida Jetport is designed to accommodate even the most optimistic projections of the future needs of aviation—even to the era of space travel, for there will be room for launching gantries if required."

Somewhere between these two extremes is where America finds itself as it enters the second decade of the jet age—an age in which the flying public is expanding at the staggering rate of 40,000 new passengers

each day. Any businessman who flies regularly into the Golden Triangle of New York-Washington-Chicago knows that the skies are saturated with airplanes and that he is plagued by costly delays both in the air and on the ground.

Before long there will be 360-passenger jets, and in a few years 900-passenger behemoths will join the aerial pack.

Where will it all end? Can the airports and airlines handle the crunch of the 1970's just around the corner? How will you ever catch up with your baggage?

Doom, gloom—and brightness

Admittedly, there is much talk of doom and gloom in any discussion of what the nation faces as it tries to find some solution to the dilemma of airport congestion, crowded airways and the general confusion brought on by the skyrocketing airline business.

However, a NATION'S BUSINESS survey shows some bright spots, some areas in which airline planners have looked far enough ahead

to meet these tremendous increases in traffic. On the other hand, there is no getting around the fact new airports are needed in many cities. Moreover, almost nothing is being done to solve the immense problem of getting people to and from air terminals.

There is hardly a city in America that is not worried about how it will meet growing air travel needs. Most of them are looking to Washington for financial help in building or improving airports, but there simply is not enough money to go around.

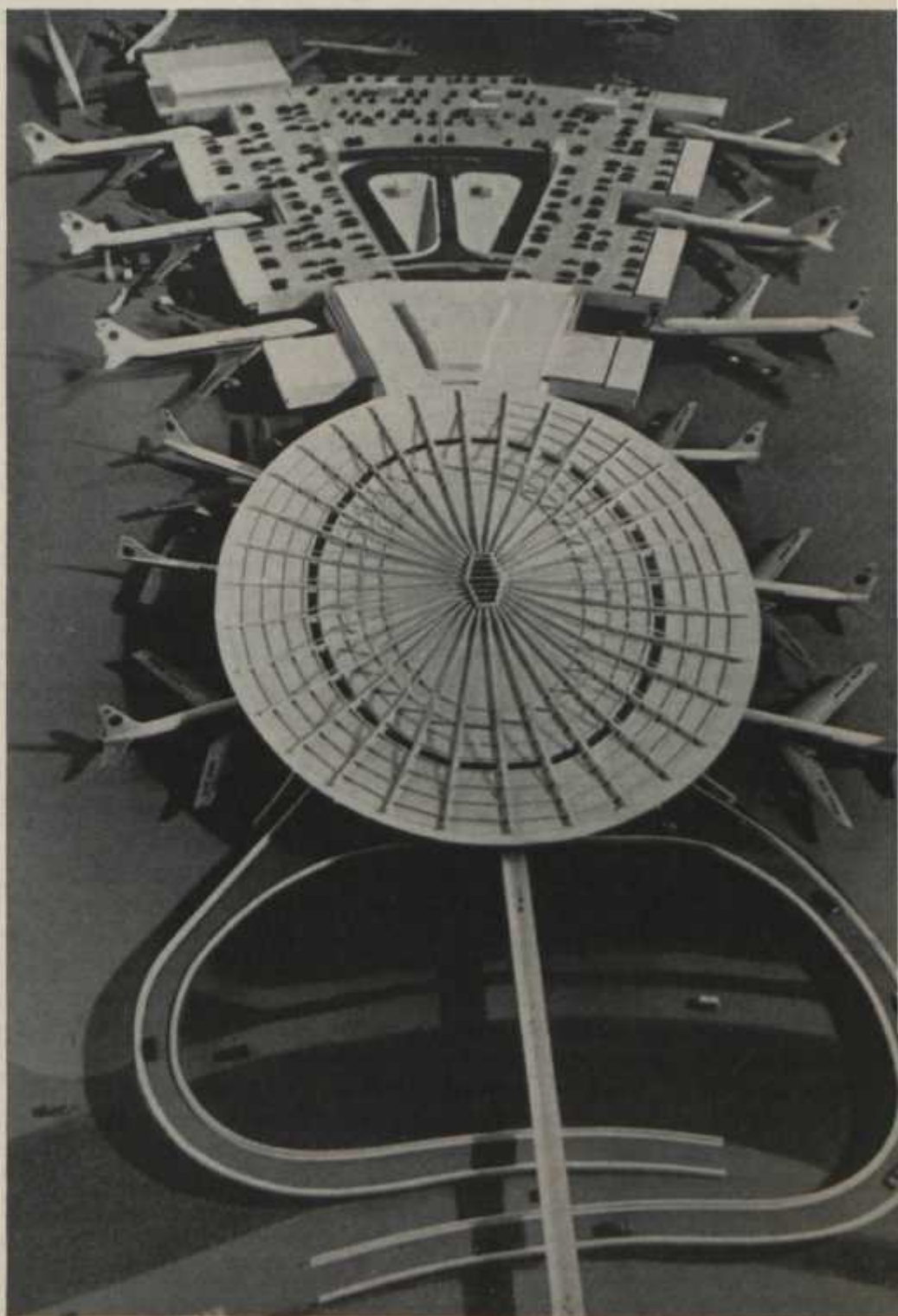
The major airlines are already committed to spending \$2.5 billion for airport improvements between now and 1974. But this will scarcely meet the need.

It's estimated that up to \$6 billion is the price tag for financing some 900 new airports for commercial use and improvement of 2,000 existing ones.

Big cities which did not plan in advance are finding land costs prohibitive when they shop around for new airport sites. Future airports



Giant Boeing 747 shown in this interior mockup is scheduled to enter service sometime later this year. New Pan American terminal at Kennedy International Airport in New York, below, is almost completed and ready to handle 747's.



may have to be built 50 or more miles from downtown. And how can you move people so they won't have to spend more time on the ground than in the air?

Chicago has been toying with the idea of building an airport on filled land in Lake Michigan with easy access by tunnel or causeway to the Loop. Los Angeles is talking about a "seadrome" airport—a five-mile by two-mile floating platform 10 miles offshore in the Pacific. Hard-pressed New York has been handed a proposal to ring Manhattan with a series of circular floating landing pads to accommodate short takeoff and landing (STOL) planes and helicopters.

It's little comfort to the airline passenger—generally a businessman—circling a crowded airport for an hour to be told the average delay per flight because of congestion is only one and a half minutes. But that is a fact. Out of 10,000 airports congestion really exists at only 526. They are the ones used by the scheduled air carriers. Actually, the problem is most acute in 22

AIRLINES WILL MAKE IT EASIER TO FLY *continued*

cities which handle 68 per cent of all airline traffic.

Private craft vs. airlines

There is a swirling controversy between the airlines and the thousands of private aircraft owners over use of high-density airports. The airlines would like to see these smaller planes moved to non-commercial airfields. (In the air a private plane with two passengers commands the same attention from traffic controllers as an airliner with more than a hundred people aboard). The general aviation fliers are just as adamant that the airlines themselves could end some of the clutter by rearranging their flight schedules.

The frustrations of today's air travel are perhaps best illustrated when one flies from New York to London. Flight time: six hours and 40 minutes. However, after getting a ticket processed, baggage weighed, going through customs and immigration and taking surface transportation on both ends of the line the trip from downtown New York to downtown London totals 10 hours and 40 minutes. This is 60 per cent more than the industry's scheduled time for the trip.

Najeeb E. Halaby, president of Pan American World Airways and former Federal Aviation Administrator, explains it this way, "If we agree that terminal delays will always be with us to some degree and consider only the short haul problem, we find that the New York-London traveler has spent 37 per cent of his total trip time covering the less than one per cent of his trip represented by surface transportation."

Los Angeles is working on a plan to airlift passengers to its airport. A giant helicopter, like an eagle carrying off a lamb, would pick up a 44-passenger "skylounge" at a midtown point and deposit it at the airport eight minutes later. It now takes about an hour in peak traffic by bus or taxi. The "skylounge" may go into operation next year.

Delay is costly

This time lost on the ground and waiting to land adds up to more than frayed nerves and short tempers. ATA estimates these delays cost the airline industry \$41 million a year and the businessmen who use the airlines \$50 million worth of work hours.

But the airlines are not discour-

aged and they anticipate meeting the demands of the '70's as they have since the beginning of commercial aviation.

Arthur D. Lewis, president and chief operating officer of Eastern Airlines, predicts:

"We see advanced aircraft shuttling business travelers anywhere from 200 to 400 miles between points within five or six densely populated megalopolises stretching from Portland to Norfolk; from Pittsburgh to

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Chicago; from San Francisco to San Diego.

"We look to the day in 1980 when some 350 million people per year will fly in the United States."

Ironically, the airline traveler is perhaps most responsible for the jam-up in the skies. His choice of flying hours dictates airline flight schedules. The businessman in particular wants to grab a plane between 8 and 10 in the morning and be home in time for dinner if he can.

Eastern proved this recently with its popular air shuttle connecting Boston, New York and Washington. It offered to cut fares almost 20 per cent for anyone willing to travel in non-peak hours. There were virtually no takers.

Jumbo jets usher in era

A new era in aviation will unfold sometime in late 1969 when Pan American World Airways inaugurates service on the new Boeing 747 super jet airliner. This successor to the 707, forecast as the ultimate in plush air travel, will carry 362 passengers in unsurpassed luxury, although it is big enough to accommodate 490. Trans World Airlines will begin 747 service a short time later.

Pan Am has ordered 25 of the big jets at \$23 million a clip. The

magnitude of this investment can be appreciated by comparing it with the \$8 million laid out for each 707. Simulators used to train pilots on the ground for the 747 go for \$4 million, or a little less than the price of an 880 jet.

Both Pan Am and TWA will be ready at New York's Kennedy International Airport—main jumping off point for trans-Atlantic travel—when the 747's enter service. Pan Am is building a \$50 million passenger terminal capable of handling six of the super jets and 10 present-day aircraft. A \$19.8 million TWA terminal, to be completed in August, will be able to accommodate five 747's and two 707's or as many as 10 of the 707's.

Despite its huge passenger capacity this super liner will actually lessen, rather than increase, the burden on crowded airspace over high-density airports. For the 747 will virtually take the place of three 707's or their equivalent.

But the scene on the ground may be nightmarish. Harold L. Graham, Pan Am vice president and project officer for the 747, told NATION'S BUSINESS Pan Am alone will be bringing into Kennedy in 1970 from six to eight 747's between the busy evening hours of 6:30 to 8:30. That's some 2,500 to 3,000 passengers. And what with waiting friends and relatives, Mr. Graham says, this will mean some 10,000 people jamming the new terminal in a two-hour period.

Public transportation to Kennedy airport already has fallen way behind need. Parking has become impossible. Kennedy now has 40,000 employees and most drive to work because of poor public transportation. No one has yet figured out how to handle ground traffic and parking in the period immediately ahead.

On this score Mr. Graham says ruefully, "By 1972 Boeing will be turning out a 747 every 3½ working days, representing 2 million man hours of work. Yet our cities can't build a spur line to an airport in five years."

The flow of passengers through these two new global terminals at Kennedy will be handled with comparative ease. People will be able to enter and leave the 747 quickly from several doors. Baggage will be containerized and color-keyed to facilitate easy retrieval. In time it will be possible to insert a passport

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"I'd recommend Inland-Ryerson buildings to anyone," says Burt Watson, Chevrolet and Pontiac dealer in Freeland, Michigan.

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Watson's 35,000 sq. ft. complex, located in Freeland, which is in the center of the Saginaw-Midland-Bay City area, includes a handsome display room, a service area, and — the standout feature — a 14,000 sq. ft. warehouse/showroom. Here, says Watson, "the cars stay clean... cool in summer, dry in winter. I don't need men to care for them, so this area is paying its own way."

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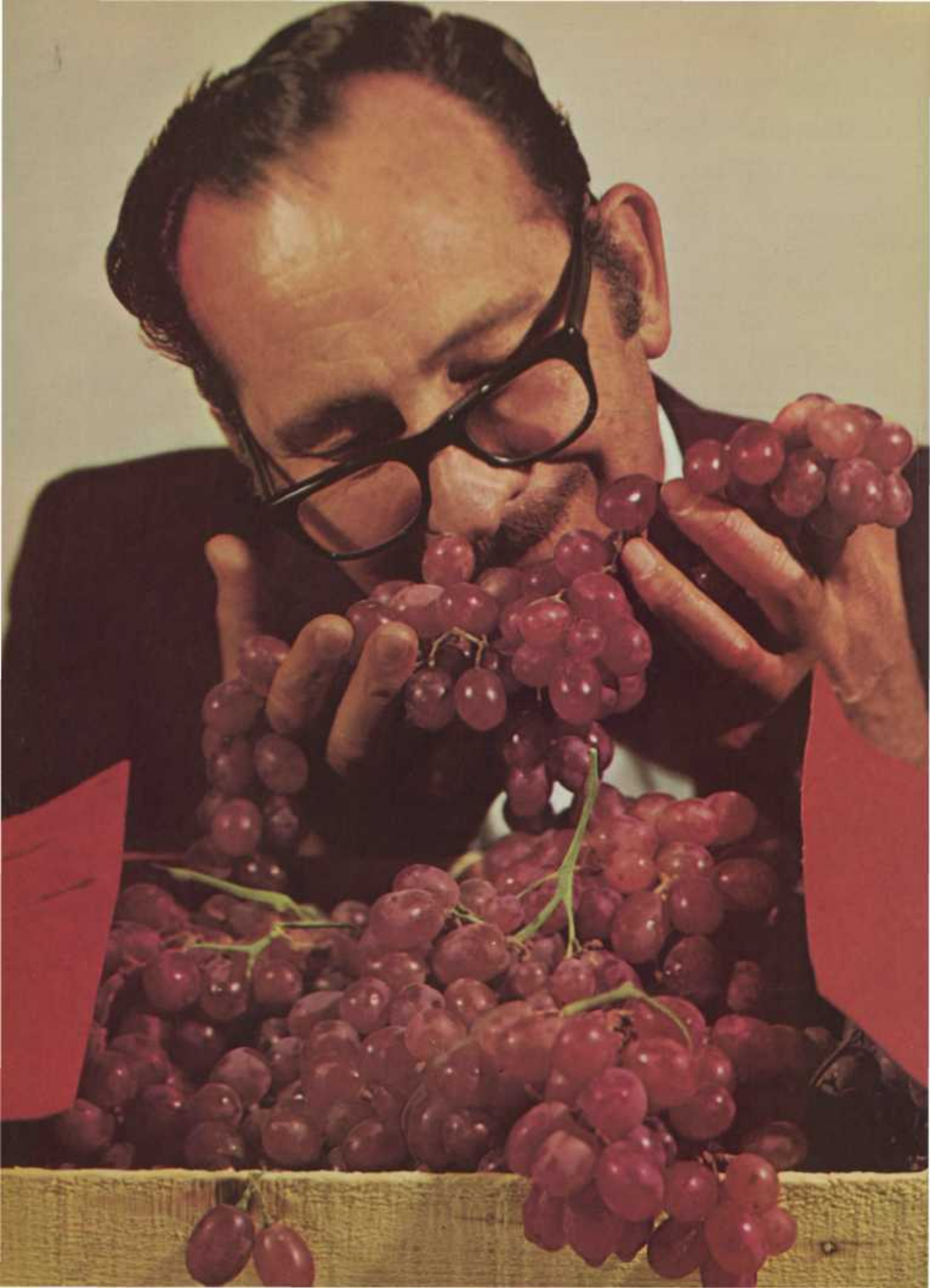
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Computerized travel ahead

Both Pan Am and TWA are looking ahead to the time when the supersonic transport enters service in the mid-70's. Virtually every phase of air travel will be taken care of by computer, then.

Already, TWA is installing a centrally controlled electronic data processing system connecting its worldwide operations and hooking eventually into other airline systems. TWA president Charles C. Tillinghast Jr. explains how this will work:

"The objective is an industry-wide common reservation system, tying in with other airlines, hotels, ground transportation systems, car rentals and larger travel agents.

"You will be able to place an order through a console installed in your own company offices and within a very few seconds have a confirmed ticket, properly printed and charged to your corporate account. Admission to the airplane very likely will be accomplished electronically. You will put your ticket in an electronic receptacle and board the plane."

Domestic airlines have been equally vigorous in planning ahead for the big push of the '70's. Construction of terminals and other facilities is under way or planned in many cities. Many new jets are on order and all the airlines anticipate heavy increases in passengers.

In 1966 United Air Lines began a comprehensive study of the major airports of the United States. Its findings are being passed on to other airlines, local communities and others in an effort to pinpoint where improvements can be made. O'Hare Field in Chicago, for instance, is planning two additional runways as a result of United's studies.

"This method is proving far more effective than would be the case if a piecemeal approach were used," explains D. C. Meenan, a vice president of the airline.

"Instead of dealing with a series of individual requests and recommendations, airport operators receive a comprehensive package, containing the collective needs of the airlines and suggestions for eliminating inadequacies."

The introduction of short takeoff and landing aircraft in a few years is expected to ease congestion at



Cleveland has become first city in America with rapid transit system for flying public. Gleaming, high-speed trains whisk passengers from downtown terminal to airport in 20 minutes.

major airports somewhat. Such planes, using special airstrips, will not compete with high-flying big jets for air space or runways.

Eastern ultimately may swing completely to STOL planes on its heavily traveled air shuttle route along the East Coast. Eastern President Lewis says:

"With an adequate development of the STOL airplane . . . we can carry passengers between the New York airports and Hartford, Providence, Boston, Philadelphia, Baltimore and Washington and other cities without competing for critical runway and air space which are required by swept-wing jets operating our longer haul flights."

At Dallas' Love Field, Braniff International is building a \$2 million "Fastpark Jetrail"—a monorail system to whisk passengers and luggage from a terminal station in the parking lot direct to the passenger loading wing of Braniff's new terminal building.

"It will conveniently and effi-

ciently separate the passenger, his car and his baggage at a single time and place, reduce walking distances to a virtual minimum, then return the baggage, car and passenger to a single point at the conclusion of his trip," explains Harding L. Lawrence, Braniff board chairman and president.

"Our customers will be under cover and in air conditioning from the time they turn their car over to the parking lot attendant until they arrive at the destination of their flight from Dallas."

Horror story may end

One of the most vexing problems of flying—strayed or lost baggage—may soon be a horror of the past. Ending these snafus is high on every airline's priority list.

American Airlines recently designed and turned over to its competitors for development and installation a revolutionary automated baggage delivery system.

The regional airport now being



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AIRLINES WILL MAKE IT EASIER TO FLY

continued

built between Fort Worth and Dallas is designed to use it. American president George A. Spater explains the system:

"It has the ability to read the passenger's baggage check and deliver his baggage to him anywhere in the airport—at the taxi stand or in the lot where his car is parked—within three minutes. The same system will automatically transmit baggage between carriers for connecting passengers."

Continental Airlines has just installed SONIC 360, an IBM computer, which it feels is a solid breakthrough in speeding the encounter between passenger and airline. Among other things, the passenger will be able to select his seat at the time he makes a reservation.

To help break up congestion around busy airports the Civil Aeronautics Board is experimenting with use of satellite fields. In a recent landmark decision awarding lush new routes across the Pacific, the CAB unfolded such a plan.

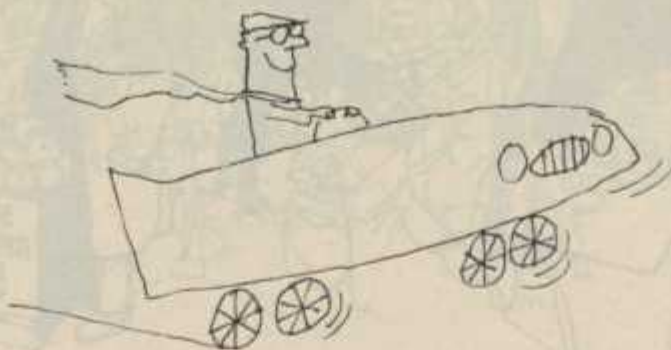
TWA, for example, which was awarded a new route to the Orient, will not be able to use Los Angeles International Airport but must fly into suburban Long Beach and Ontario instead. Similarly, Northwest Airlines is required to serve Oakland and San Jose rather than the big San Francisco airport.

Concern for passenger comfort is being engineered into all new airports, satisfying a major complaint of the flying public.

Little walking will be required at the airport under construction in Houston. To negotiate the distance between terminals, passengers changing airlines will be able to travel in small, unmanned electric cars. At no time from the moment he arrives at the Houston airport will a passenger have to walk more than 500 feet.

The giant new airport just getting under way outside Miami unquestionably is the most ambitious undertaken anywhere. Its sheer size alone will be staggering—one and a half times as big as Manhattan Island. When it becomes fully operational in the late '70's it will be able to handle 50 million passengers a year—more than the present combined volume of New York's three big airports—Kennedy, LaGuardia and Newark.

It will cost perhaps \$150 million and may even replace New York as air gateway to the world. **END**



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THE SICKNESS OF GOVERNMENT

BY PETER F. DRUCKER

Peter F. Drucker is among America's best-known experts on management and other business problems. The author of a string of books and articles, including a number of contributions to *Nation's Business*, he has been professor of management at New York University's Graduate School of Business since 1950.

Austrian-born, and educated in England and Austria, he has been a foreign correspondent, an economist for an international bank in London, an economist for a group of British banks and insurance companies in the United States—he came to the U. S. in 1937—and a management consultant to several large American and foreign companies. His books include "The New Society," "The Effective Executive," "The Practice of Management," "America's Next 20 Years," "Landmarks of Tomorrow," and "Managing for Results."



Government surely has never been more prominent than today. The most despotic government of 1900 would not have dared probe into the private affairs of its citizens as income tax collectors now do routinely in the freest society. Even the Czar's secret police did not go in for the security investigations we now take for granted. Nor could any bureaucrat of 1900 have imagined the questionnaires that governments now expect businesses, universities, or citizens to fill out in ever-mounting number and ever-increasing detail.

At the same time, government has everywhere become the largest employer.

Government is certainly all-pervasive. But is it truly strong? Or is it only big?

There is mounting evidence that government is big rather than strong; that it is fat and flabby rather than powerful; that it costs a great deal but does not achieve much. There is mounting evidence also that the citizen less and less believes in government and is increasingly disenchanted with it. Indeed, government is sick—and just at the time when we need a strong, healthy, and vigorous government.

There is certainly little respect for government among the young—and even less love. But the adults, the taxpayers, are also increasingly disenchanted. They still want more services from government. But they are everywhere approaching the point where they balk at paying for a bigger government, even though they may still want what government promises to give.

In the 70 years or so from the 1890's to the 1960's, mankind, es-



pecially in the developed countries, was hypnotized by government. We were in love with it and saw no limits to its abilities, or to its good intentions.

Anything anyone felt needed doing during this period was to be turned over to government—and this, everyone seemed to believe, made sure that the job was already done.

The love affair with government became general with World War I when government, using taxation and the printing press, mobilized resources way beyond what anyone earlier would have thought possible. The German war economy, the War Production Board in the United States, and the United States propaganda machine dazzled contemporaries. It convinced them that government could do anything.

When the Great Depression hit a decade later, everybody immediately turned to government as the savior. It is pathetic to recall the naïve belief that prevailed in the late 30's.

World War II reinforced this belief. Again government proved itself incredibly effective in organizing the energies of society for warfare.

A time of disenchantment

But now our attitudes are in transition. We are rapidly moving to doubt and distrust of government and, in the case of the young, even to rebellion against it. We still, if only out of habit, turn social tasks

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over to government. We still revise unsuccessful programs over and over again, and assert that nothing is wrong with them that a change in procedures or "competent administration" will not cure.

But we no longer believe these promises when we reform a bungled program for the third time.

Who, for instance, believes any more that administrative changes in the foreign aid program of the United States (or of the United Nations) will really produce rapid worldwide development? Who really believes that the War on Poverty will vanquish poverty in the cities?

We still repeat the slogans of yesterday. Indeed, we still act on them. But we no longer believe in them. We no longer expect results from government.

What explains this disenchantment with government?

We expected miracles—and that always produces disillusionment. Government, it was widely believed (though only subconsciously), would produce a great many things for nothing. Cost was thought a function of who did something rather than of what was being attempted.

There is little doubt, for instance, that the British in adopting the "free health service" believed that medical care would cost nothing. All the health service is and can be is, of course, "prepaid" medical care. Nurses, doctors, hospitals, drugs, and so on have to be paid for by somebody. But everybody expected this "somebody" to be somebody else. At the least, everyone expected that under a "free" health service the taxes of the rich would pay for the health care of the poor.

This is not an argument against

such services. A mass basis is the only way to finance what everyone should have. Nor are such services necessarily inefficient. But they are not "free"—and their cost is inevitably high, since they have to provide for contingencies and benefits for everyone even though only a minority may ever require a particular benefit.

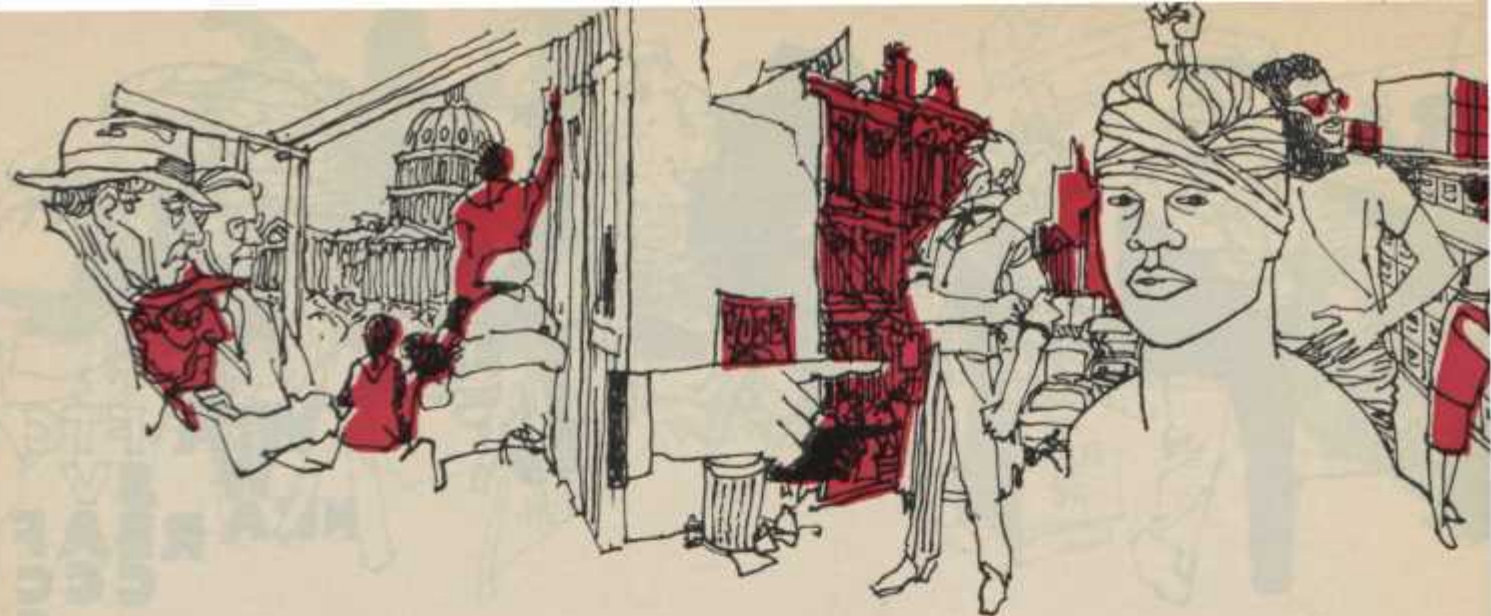
All such plans are, in effect, taxation and compulsory saving that force the individual to pay for something whether he wants it or not. This is their whole rationale. But obvious though this may seem, the illusion that government could somehow make costs go away and produce a great deal for nothing was almost universal during the last half-century.

This belief was, in effect, only the facet of a much more general illusion from which the educated and the intellectuals in particular suffered: that by turning tasks over to government, conflict and decision would be made to go away.

Once the "wicked private interests" had been eliminated, the right course of action would emerge from the "facts," and decision would be rational and automatic. There would be neither selfishness nor political passion. Belief in government was thus largely a romantic escape from politics and responsibility.

Rejection of responsibility

One root of this argument was hatred of business, of profit and, above all, of wealth. Another—more dangerous—root was the rejection of responsibility and decision that played such a major role in the rise of Fascism and Nazism and in their



attraction for so many otherwise sane people.

That motives other than the desire for monetary gain could underlie self-interests and that values other than financial values could underlie conflict, did not occur to the generation of the '30's. Theirs was a world in which economics seemed to be the one obstacle to the millennium.

One need not be in favor of free enterprise—let alone a friend of wealth—to see the fallacy in this argument. But reason had little to do with the belief in government ownership as the panacea. The argument was simply: "private business and profits are bad—ergo government ownership must be good." We may still believe in the premise; but we no longer accept the *ergo* of government ownership.

There is still a good deal of resistance to the responsibility of politics and resentment of the burden of decision. Indeed, the young today want to drop out altogether—in a frightening revival of the hostility to responsibility that made the younger generation of 40 years ago so receptive to totalitarian promises and slogans.

But no one, least of all the young, believes any more that the conflicts, the decisions, the problems would be eliminated by turning things over to government. Government, on the contrary, has itself become one of the wicked "vested interests" for the young. And few even of the older generation expect any more that the political millennium will result in government control.

In fact, most of us today realize that to turn an area over to government creates conflict, creates vested and selfish interests, and complicates decisions. We realize that to turn something over to government

makes it political instead of abolishing politics.

When the garbage collectors went on strike against the City of New York in the winter of 1968, many good liberals seriously proposed turning garbage collection over to "free enterprise" to "ease the tension."

But the greatest factor in the disenchantment with government is that government has not performed. The record over these last 30 or 40 years has been dismal. Government has proved itself capable of doing only two things with great effectiveness. It can wage war. And it can inflate the currency.

Other things it can promise but only seldom accomplish.

The greatest disappointment, the great letdown, is the fiasco of the welfare state. Not many people would want to do without the social services and welfare benefits of an affluent modern industrial society. But the welfare state promised a great deal more than to provide social services.

It promised to create a new and happy society. It promised to release creative energies. It promised to do away with ugliness and envy and strife. No matter how well it is doing its jobs—and in some areas in some countries some jobs are being done very well—the welfare state turns out at best to be just another big insurance company.

The best is mediocre

The best we get from government in the welfare state is competent mediocrity. More often we do not even get that; we get incompetence such as we would not tolerate in an insurance company.

In every country there are big areas of government administration where there is no performance what-

ever—only costs. This is true not only of the mess of the big cities, which no government—United States, British, Japanese, or Russian—has been able to handle. It is true in education. It is true in transportation.

And the more we expand the welfare state the less capable even of routine mediocrity does it seem to become.

I do not know whether Americans are particularly inept at public administration—though they are hardly particularly gifted for it. Perhaps we are only more sensitive than other people to incompetence and arrogance of bureaucracy because we have had, until recently, comparatively so much less of it than other people.

But no matter how bad others might be, it is hard to conceive anything more chaotic than the huge, blundering, disorganized establishment of an American embassy even in a small country—both totally unmanaged and totally overadministered.

During the past three decades, federal payments to the big cities have increased almost a hundred-fold for all kinds of programs. But results from the incredible dollar flood into the cities are singularly unimpressive.

What is impressive is the administrative incompetence. We now have 10 times as many government agencies concerned with city problems as we had in 1939. We have increased by a factor of a thousand or so the number of reports and papers that have to be filled out before anything can be done in the city.

Social workers in New York City spend some 70 or 80 per cent of their time filling out papers; for Washington, for the state govern-



ment in Albany, and for New York City. No more than 20 or 30 per cent of their time, that is about an hour and a half a day, is available for their clients, the poor.

As James Reston reported in the *New York Times* Nov. 23, 1966, there were then 170 different federal aid programs on the books, financed by over 400 separate appropriations and administered by 21 federal departments and agencies aided by 150 Washington bureaus and over 400 regional offices.

One congressional session alone passed 20 new health programs, 17 new educational programs, 15 new economic development programs, 12 new programs for the cities, 17 new resources development programs, and four new manpower training programs, each with its own administrative machinery.

This is not perhaps a fair example—even of American administrative incompetence. That we speak of "urban crisis" when we face a problem of race, that is, of the conscience, explains a lot of our troubles. Even the stoutest advocate of the welfare state never expected fundamental problems of conscience to yield to social policy and effective administration (though he probably would have argued that there are no "problems of conscience" and that everything is a "social problem" and, above all, a matter of spending money).

But in other areas, the welfare state does not perform much better.

Nor is the administrative mess a peculiarly American phenomenon. The press in Great Britain, in Germany, in Japan, in France, in Scandinavia—and increasingly in the communist countries as well—reports the same confusion, the same lack of performance, the same pro-

liferation of agencies, of programs, of forms, and the same triumph of accounting rules over results.

Ungovernable government

Modern government has become ungovernable. There is no government today that can still claim control of its bureaucracy and of its various agencies. Government agencies are all becoming autonomous, ends in themselves, and directed by their own desire for power, their own rationale, their own narrow vision rather than by national policy and by their own boss, the national government.

This is a threat to the basic capacity of government to give direction and leadership. Increasingly, policy is fragmented and policy direction becomes divorced from execution.

Execution is governed by the inertia of the large bureaucratic empires, rather than by policy. Bureaucrats keep on doing what their procedures prescribe. Their tendency, as is only human, is to identify what is in the best interest of the agency with what is right, and what fits administrative convenience with effectiveness.

As a result the welfare state cannot set priorities. It cannot concentrate its tremendous resources, and therefore does not get anything done.

The great achievement of the modern state, as it emerged in the Seventeenth and Eighteenth Centuries, was unified policy control. The great constitutional struggles of the last 300 years were over the control powers of the central government in a united and unified nation. But this political organ, no matter how it is selected, no longer exercises such control.

Even the President of the United

States cannot direct national policy any more. The various bureaucracies do much what they want to do.

This growing disparity between apparent power and actual lack of control is perhaps the greatest crisis of government. We are very good at creating administrative agencies. But no sooner are they called into being than they become ends in themselves, acquire a "vested right" to grants from the Treasury and to continuing support by the taxpayer, and achieve immunity to political direction.

No sooner, in other words, are they born than they defy public will and public policy.

The crisis of government domestically is nothing compared to the crisis of government as an effective organ in international life. In the international arena government has all but disintegrated.

The "sovereign state" no longer functions as the effective organ for political tasks. This is not happening, as the liberals would like to believe, because a political world community has transcended the narrow, petty boundaries of national states.

On the contrary, the national state is everywhere in danger of collapsing into petty, parochial baronies—whether French Canada or an independent Flanders, Biafra in West Africa or Scots nationalism.

At the other end we have the "superpowers" whose very size and power debar them from having a national policy. They are concerned with everything, engaged everywhere, affected by every single political event no matter how remote or petty.

But policy is choice and selection. If one cannot choose not to be engaged, one cannot have a policy—and neither the United States nor

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THE SICKNESS OF GOVERNMENT *continued*

Russia can, in effect, say: "We are not interested."

The "superpowers" are the international version of the welfare state, and, like the welfare state, incapable of priorities or of accomplishments.

Decisions are also no longer effective. No longer can they be expected to be carried out. In the international sphere we have the same divorce of policy from execution that characterizes domestic government.

We get more and more and more governments. But all this does is increase costs. For each of these sovereignties has to have its own foreign service, its own armed forces, and so on. With a multiplication of government agencies and costs has gone a steady decrease in effectiveness.

And no government, whether its territory spans the continents or is smaller than one city block, can any longer discharge the first duty of government: protection from, and defense against, attack from outside.

This may be regarded as gross exaggeration. It certainly is not the picture the older generation still sees. But it is, increasingly, the reality. It is the situation to which we react.

And the young people, who are not, as we older ones are, influenced by the memories of our love affair with government, see the monstrosity of government, its disorganization, its lack of performance, and its impotence rather than the illusions the older generation still cherishes and still teaches in the classroom.

Never needed more

Yet never has strong, effective, truly performing government been needed more than in this dangerous world of ours. Never has it been needed more than in this pluralist society of organizations. Never has it been needed more than in the present world economy.

We need government as the central institution in the society of organizations. We need an organ that expresses the common will and the common vision and enables each organization to make its own best contribution to society and citizen and yet to express common beliefs and common values.

The answer to diversity is not uniformity. The answer is unity. We cannot hope to suppress the diversity of our society. Each of

the pluralist institutions is needed. Each discharges a necessary economic task.

Their task makes them autonomous whether this is admitted by political rhetoric or not. We therefore have to create a focus of unity. This can only be provided by strong and effective government.

This is even more apparent in the developing, the poor countries than it is in the developed countries of Europe, North America, and Asia. Effective government is a prerequisite of social and economic growth.

We cannot wait until we have new political theory or until we fully understand this pluralist society of ours. We will not re-create the beautiful "prince charming" of government, but we should be able to come up with a competent, middle-aged professional who does his work from nine to five, and does it well—and who, at least, is respected as a "good provider," though the romance has long gone out of him.

In the process, government may shed the megalomania that now obsesses it, and learn how to confine itself to realistic goals and to cut its promises to its capacity to deliver.

Certain things are inherently difficult for government. Being by design a protective institution, it is not good at innovation. It cannot really abandon anything.

The moment government undertakes anything, it becomes entrenched and permanent. Better administration will not alter this. Its inability to innovate is grounded in government's legitimate and necessary function as society's protective and conserving organ.

The inability of government to abandon anything is not limited to the economic sphere. We have known for well over a decade, for instance, that the military draft that served the United States well in a total war is immoral and demoralizing in a "cold war" or "limited war" period. Yet we extend it year after year on a "temporary" basis.

Government is under far greater pressure to cling to yesterday than any other institution. Indeed the typical response of government to failure of an activity is to double its budget and staff.

Nothing in history, for instance, can compare in futility with those prize blunders of the American government, its welfare policies and its farm policies. Both policies are

largely responsible for the disease they are supposed to cure. We have known this for quite some time—in the case of the farm program since before World War II, in the case of the welfare program certainly since 1950.

The problem of the urban poor is undoubtedly vast. No city in history has ever been able to absorb an influx of such magnitude as the American cities have had to absorb since the end of World War II.

But we certainly could not have done worse if we had done nothing at all. In fact, the Nineteenth Century cities that did nothing did better. And so, these last 20 years, has São Paulo in Brazil, which, inundated by similar floods of rural, illiterate Negroes fresh from serfdom, did nothing—and is in better shape than New York City.

Our welfare policies were not designed to meet this problem. They were perfectly rational—and quite effective—as measures for the temporary relief of competent people who were unemployed only because of the catastrophe of the Great Depression. Enacted in the mid-30's, the relief policies had essentially finished their job by 1940.

But being government programs they could not be abandoned. Far too massive a bureaucracy had been built. The emotional investment in these programs and in their slogan had become far too great. They had become "symbols" of the New Deal.

Small wonder, then, that we reached for them when the entirely different problem of the '50's arose; that is, when the rural Negro moved into the core city in large numbers.

And small wonder that these programs did not work, that instead they aggravated the problem and increased the helplessness, the dependence, the despair of the Negro masses. For the rural Negro was not competent to manage if only given a job; he was not trained; and he was not already settled in the city in a stable family unit.

But all we could do when relief failed to relieve was to double the budget and to double the number of people engaged in filling out forms. We could not detach ourselves from the program. We could not ask: "What is the problem, and what needs to be done?"

The farm program tells the same story. It was designed—also in the '30's—to save the family farmer and to restore his economic and social

health. Instead it has subsidized his replacement by large, heavily capitalized, and highly productive "industrial farms."

This may well be a more desirable result than the one the farm program has meant—and is still meant—to produce. But it was an abysmal failure in terms of the program's announced objectives. Yet again, to everybody's pained surprise, increasing the budget has only speeded up the disappearance of the family farm.

Government manages poorly

This is not to say that all government programs are wrong, ineffectual or destructive—far from it. But even the best government program eventually outlives its usefulness. And then the response of government is likely to be: "Let's spend more on it and do more of it."

Government is a poor manager. It is, of necessity, concerned with procedure, for it is also, of necessity, large and cumbersome. Government is also properly conscious of the fact that it administers public funds and must account for every penny. It has no choice but to be "bureaucratic"—in the common usage of the term.

Whether government is a "government of laws" or a "government of men" is debatable. But every government is, by definition, a "government of forms." This means, inevitably, high cost. For "control" of the last 10 per cent of phenomena always costs more than control of the first 90 per cent. If control tries to account for everything it becomes prohibitively expensive. Yet this is what government is always expected to do.

The reason is not just "bureaucracy" and red tape; it is a much sounder one. A "little dishonesty" in government is a corrosive disease. It rapidly spreads to infect the whole body politic. Yet the temptation to dishonesty is always great. People of modest means and dependent on a salary handle very large public sums. People of modest position dispose of power and award contracts and privileges of tremendous importance to other people. To fear corruption in government is not irrational.

This means, however, that government "bureaucracy"—and its consequent high costs—cannot be eliminated. Any government that is not a "government of forms" degenerates rapidly into a mutual looting society. The generation that

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was in love with the state 30 and 40 years ago believed fondly that government would be economical. Eliminating the "profit motive" was thought to reduce costs. This was poor economics, to begin with. If there is competition, profit assures accomplishment of a task at the lowest cost.

This was, of course, known to the economists of 30 or 40 years ago. But the inherent wastefulness of government had yet to be demonstrated.

The politician's attention does not go to the 90 per cent of money and effort that is devoted to existing programs and activities. They are left to their own devices and to the tender mercies of mediocrity.

Politics — rightly — is primarily concerned with "new programs." It is concerned with whatever is politically "hot." It is focused on crises and problems and issues. It is not focused on doing a job.

Politics, whatever the form of government, is not congenial to managerial organization and makes government slight managerial performance.



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In government, loyalty is more important than performance, and has to be. Whatever the system—and in this respect there is little difference between Presidential America, Parliamentary England, and Politburo Russia—the first question is, "Whose man is he?"

After that, and long before performance, come party allegiance and connections. In fact the man who does well but belongs to the wrong faction, or gives allegiance to the wrong person, is a major threat to the people in power.

Ways to become more efficient

We can—and must—greatly improve the efficiency of government.

There is little reason these days to insist on "100 per cent audit," for instance. Modern sampling methods based on probability mathematics actually give us better control by inspecting a small percentage of the events.

We may even, one day, hope to get approval on the part of legislature, and understanding by the public, that no system as large as government can or should work at 100 per cent efficiency. An aim of 92 per cent performance is more realistic and can be attained at much lower cost.

We may even get acceptance by government of the principle of management by exception, in which we only audit where results deviate significantly from expectation, although experienced administrators in government may smile at such utopian naïveté.

We need something much more urgently: the clear definition of the results a policy is expected to produce, and the ruthless examination of results against these expectations.

We need to be forced to admit at an early stage that the relief policies or the farm policies of the United States government do not produce the intended benefits. This demands that we spell out in considerable detail what results are expected rather than content ourselves with promises and manifestos.

We may have to develop an independent government agency that compares the results of policies against expectations and that, independent of pressures from the Executive as well as from the Legislative branches, reports to the public any program that does not deliver.

Robert McNamara's "cost/effectiveness" for the programs and poli-

cies of the American military forces may have been the first step in the development of such a new organ. And that President Johnson introduced cost/effectiveness into all United States government agencies may be one of the most significant events in American administrative history.

We may even go further—though only a gross optimist would expect this today. We may build into government an automatic abandonment process.

Instead of starting with the assumption that any program, any agency, and any activity is likely to be eternal, we might start out with the opposite assumption: that each is short-lived and temporary. We might, from the beginning, assume that it will come to an end within five or 10 years unless specifically renewed.

And we may discipline ourselves not to renew any program unless it has the results that it promised when first started. We may, let us hope, eventually build into government the capacity to appraise results and systematically to abandon yesterday's tasks.

Yet such measures will still not convert government into a "doer." They will not alter the main lesson of the last 50 years: *government is not a "doer."*

Business: a real 'doer'

The purpose of government is to make fundamental decisions, and to make them effectively. The purpose of government is to focus the political energies of society. It is to dramatize issues. It is to present fundamental choices.

The purpose of government, in other words, is to govern.

This, as we have learned in other institutions, is incompatible with "doing." Any attempt to combine governing with "doing" on a large scale, paralyzes the decision-making capacity. Any attempt to have decision-making organs actually "do," also means very poor "doing." They are not focused on "doing." They are not equipped for it. They are not fundamentally concerned with it.

There is good reason today why soldiers, civil servants, and hospital administrators look to business management for concepts, principles, and practices.

For business, during the last 30 years, has had to face, on a much smaller scale, the problem which modern government now faces: the

incompatibility between "governing" and "doing."

Business management learned that the two have to be separated, and that the top organ, the decision maker, has to be detached from "doing." Otherwise he does not make decisions, and the "doing" does not get done either.

In business this goes by the name of "decentralization." The term is misleading. It implies a weakening of the central organ, the top management of a business.

The purpose of decentralization as a principle of structure and constitutional order is, however, to make the center, the top management of a business, strong and capable of performing the central, the top-management, task.

The purpose is to make it possible for top management to concentrate on decision making and direction by sloughing off the "doing" to operating managements, each with its own mission and goals, and with its own sphere of action and autonomy.

If this lesson were applied to government, the other institutions of society would then rightly become the "doers." "Decentralization" applied to government would not be just another form of "federalism" in which local rather than central government discharges the "doing" tasks.

It would rather be a systematic policy of using the other, the nongovernmental institutions of the society of organizations, for the actual "doing," i.e., for performance, operations, execution.

Reprivatization

Such a policy might be called "reprivatization." The tasks which flowed to government in the last century because the original private institution of society, the family, could not discharge them, would be turned over to the new, nongovernmental institutions that have sprung up and grown these last 60 to 70 years.

Government would start out by asking the question: "How do these institutions work and what can they do?"

It would then ask: "How can political and social objectives be formulated and organized in such a manner as to become opportunities for performance for these institutions?"

It would also ask: "And what opportunities for accomplishment of political objectives do the abilities

and capacities of these institutions offer to government?"

This would be a very different role for government from the one it plays in traditional political theory. In all our theories government is the institution. If "reprivatization" were to be applied, however, government would become one institution, albeit the central, the top, institution.

Reprivatization would give us a different society from any our social theories now assume. In these theories government does not exist. It is outside of society. Under reprivatization government would become the central social institution.

Political theory and social theory, for the last 250 years, have been separate. If we applied to government and to society what we have learned about organization these last 50 years, the two would again come together.

The nongovernmental institutions—university, business, and hospital, for instance—would be seen as organs for the accomplishment of results. Government would be seen as society's resource for the determination of major objectives, and as the "conductor" of social diversification.

I have deliberately used the term "conductor." It might not be too fanciful to compare the situation today with the development of music 200 years ago. The dominant musical figure of the early Eighteenth Century was the great organ virtuoso, especially in the Protestant north. In organ music, as a Buxtehude or a Bach practiced it, one instrument with one performer expressed the total range of music. But as a result, it required almost superhuman virtuosity to be a musician.

By the end of the century, the organ virtuoso had disappeared. In his place was the modern orchestra.

There each instrument played only one part, and a conductor up front pulled together all these diverse and divergent instruments into one score and one performance.

As a result, what had seemed to be absolute limits to music suddenly disappeared.

The conductor himself does not play an instrument. He need not even know how to play an instrument. His job is to know the capacity of each instrument and to evoke optimal performance from each. Instead of being the "performer," he has become the "con-

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THE SICKNESS OF GOVERNMENT *continued*

ductor." Instead of "doing," he leads.

The next major development in politics, and the one needed to make this middle-aged failure—our tired, overextended, flabby, and impotent government—effective again, might therefore be reprivatization of the "doing," the performance of society's tasks.

Government would become increasingly the decision maker, the vision maker, the political organ. It would try to figure out how to structure a given political objective so as to make it attractive to one of the autonomous institutions. It would, in other words, be the "conductor" who tries to think through what each instrument is best designed to do.

And just as we praise a composer for his ability to write "playable" music, which best uses the specific performance characteristic of French horn, violin, or flute, we may come to praise the lawmaker who best structures a particular task so as to make it most congenial for this or that of the autonomous, self-governing, private institutions of pluralist society.

Business is likely to be only one, but a very important, institution in such a structure.

Created to create

What makes business particularly appropriate for reprivatization is that it is predominantly an organ of innovation; of all social institutions, it is the only one created for the express purpose of making and managing changes. All other institutions were originally created to prevent, or at least to slow down, change. They become innovators only by necessity and most reluctantly.

Specifically business has two advantages where government has major weaknesses. Business can abandon an activity. Indeed, it is forced to do so if it operates in a market—and even more if it depends on a market for its supply of capital.

There is a point beyond which even the most stubborn businessman cannot argue with the market test, no matter how rich he may be himself. Even Henry Ford had to abandon the Model T when it no longer could be sold. Even his grandson had to abandon the Edsel.

What is more: of all our institu-

tions, business is the only one that society will let disappear.

Precisely because business can make a profit, it *must* run the risk of loss.

This risk, in turn, goes back to the second strength of business: alone among all institutions it has a test of performance. No matter how inadequate profitability is, it is a test for all to see.

One can argue that this or that obsolete hospital is really needed in the community or that it will one day again be needed. One can argue that even the poorest university is better than none. The alumni or the community always has a "moral duty" to save "dear old Siwash."

The consumer, however, is unsentimental. It leaves him singularly unmoved to be told that he has a duty to buy the product of a company because it has been around a long time.

The consumer always asks: "And what will the product do for me tomorrow?" If the answer is "Nothing," he will see its manufacturer disappear without the slightest regret. And so will the investor.

This is the strength of business as an institution. It is the best reason for keeping it in private ownership. The argument that the capitalist should not be allowed to make profits is a popular one. But the real role of the capitalist is to be expendable. His role is to take risks and to take losses as a result.

This role the private investor is much better equipped to discharge than the public one. We want privately owned business precisely because we want institutions that can go bankrupt and can disappear. We want at least one institution that, from the beginning, is adapted to change, one institution that has to prove its right to survival again and again.

This is what business is designed for, precisely because it is designed to make and to manage change.

If we want a really strong and effective government, therefore, we should want businesses that are not owned by government. We should want businesses in which private investors, motivated by their own self-interest and deciding on the basis of their own best judgment, take the risk of failure.

The strongest argument for "pri-

vate enterprise" is not the function of profit. The strongest argument is the function of loss. Because of it business is the most adaptable and the most flexible of the institutions around. It is the one that has a clear, even though limited, performance test. It is the one that has a yardstick.

Therefore, it is the one best equipped to manage. For if there is a yardstick for results, one can determine the efficiency and adequacy of efforts.

One can say in a business: "Our greatest profits are at a level where we control 95 per cent of the costs rather than where we control 99 per cent. Controlling and auditing the last 4 per cent or 5 per cent costs us much more than the profits from these marginal activities could ever be."

One cannot say this with respect to patient care in a hospital. One cannot say this with respect to instruction in a university.

And one cannot say this in any government agency. There one has to guess, to judge, to have opinions.

In a business one can measure. Business, therefore, is the most manageable of all these institutions, the one where we are most likely to find the right balance between results and the cost of efforts. It is the only institution where control need not be an emotional or a moral issue, where in talking "control" we discuss "value" and not "values."

Reprivatization is still heretical doctrine. But it is no longer heretical practice. Reprivatization is hardly a creed of "fat cat millionaires" when black-power advocates seriously propose making education in the slums "competitive" by turning it over to private enterprise, competing for the tax dollar on the





basis of proven performance in teaching ghetto children.

It may be argued that the problems of the black ghetto in the American city are very peculiar problems—and so they are. They are extreme malfunctions of modern government. But, if reprivatization works in the extreme case, it is likely to work even better in less desperate ones.

International sphere, too

One instance of reprivatization in the international sphere is the World Bank. Though founded by governments, it is autonomous. It finances itself directly through selling its own securities on the capital markets. The International Monetary Fund, too, is reprivatization.

Indeed, if we develop the money and credit system we need for the world economy, we will have effectively reprivatized creation and management of money and credit which have been considered for millennia attributes of sovereignty.

Again business is well equipped to become the "doer" in the international sphere. The multinational corporation, for instance, is our best organ for rapid social and economic development through the "contract growing" of people and of capital. In the Communications Satellite Corp. (COMSAT) we are organizing worldwide communications (another traditional prerogative of the sovereign) as a multinational corporation.

And the multinational corporation may be the only institution equipped to get performance where the fragmentation into tribal splinter units such as the "ministates" of Equatorial Africa makes performance by government impossible.

But domestically as well as internationally business is, of course,

only one institution and equipped to do only one task, the economic one. Indeed it is important to confine business—and every other institution—to its own task.

Reprivatization will, therefore, entail using other nongovernmental institutions—the hospital, for instance, or the university—for other, noneconomic "doing" tasks. Indeed the design of new nongovernmental, autonomous institutions as agents of social performance under reprivatization may well become a central job for tomorrow's political architects.

Choice we face

We do not face a "withering away of the state." On the contrary, we need a vigorous, a strong, and a very active government. But we do face a choice between big but impotent government and a government that is strong because it confines itself to decision and direction and leaves the "doing" to others.

We do not face a "return of *laissez-faire*" in which the economy is left alone. The economic sphere cannot and will not be considered to lie outside the public domain. But the choices for the economy—as well as for all other sectors—are no longer *either* complete governmental indifference or complete governmental control.

In all major areas we have a new choice in this pluralist society of organizations: an organic diversity in which institutions are used to do what they are best equipped to do. This is a society in which all sectors are "affected with the public interest," while in each sector a specific institution, under its own management and dedicated to its own job, emerges as the organ of action and performance.

This is a difficult and complex

structure. Such symbiosis between institutions can work only if each disciplines itself to strict concentration on its own sphere, and to strict respect for the integrity of the other institutions.

Each, to use again the analogy of the orchestra, must be content to play its own part.

This will come hardest for government, especially after the last 50 years in which it had been encouraged in the belief of the Eighteenth Century organ virtuoso that it could—and should—play all parts simultaneously. But every institution will have to learn the same lesson.

Reprivatization will not weaken government. Indeed, its main purpose is to restore strength and performance capacity to sick and incapacitated government.

We cannot go much further along the road on which government has been traveling these last 50 years. All we can get this way is more bureaucracy but not more performance.

We can impose higher taxes but we cannot get dedication, support, and faith on the part of the public. Government can gain greater girth and more weight, but it cannot gain strength or intelligence.

All that can happen, if we keep on going the way we have been going, is a worsening sickness of government and growing disenchantment with it. And this is the prescription for tyranny, that is, for a government organized against its own society.

This can happen. It has happened often enough in history. But in a society of pluralist institutions it is not likely to be effective too long.

Ultimately we will need new political theory and probably very new constitutional law. We will need new concepts and new social theory.

Whether we will get these and what they will look like, we cannot know today. But we can know that we are disenchanting with government, primarily because it does not perform.

We can say that we need, in pluralist society, a government that can and does govern. This is not a government that "does"; it is not a government that "administers"; it is a government that governs. **END**

SEEING PROBLEMS AS OPPORTUNITIES

A conversation with Wallace E. Johnson,
president, Holiday Inns of America, Inc.,
and wide-ranging entrepreneur and builder

Wallace E. Johnson knew right enough what he wanted to do in life by the time he was 14 back in Mississippi, and that was to be a builder. He took a flyer at it at age 18 and failed, and it was more than 20 years before he again went into business for himself and launched a successful career in homebuilding.

His major enterprise, though, is Holiday Inns of America, Inc., the world's largest motor hotel chain. Launched by Mr. Johnson and his partner, Kemmons Wilson, it now numbers more than 1,050 facilities here and abroad.

He and Mr. Wilson also started the chain of extended care facilities known as Medicenters of America, Inc., with some two dozen now in operation—about half under franchise—and half that number under

construction. Along the way, Mr. Johnson has also been an active lay Baptist leader—he expounds an approach to business reflecting religious convictions—and was named Lay Churchman of the Year in 1965 by Religious Heritage of America, Inc.

He also has contributed generously to education of future clergymen, doctors, lawyers and bankers through grants and loans by a foundation he and his wife, Alma, have established.

Now 67, Mr. Johnson sets great store by inspirational and self-improvement works and makes much of conscious motivation—of himself as much as of others—as a key to success.

Many successful men find it politic to credit their wives' help for their success. Wallace Johnson goes

further and cites specific business contributions made by his wife.

A humorous man and an enthusiastic spinner of yarns, many at his own expense, he discussed his career and his outlook in what he calls his "think center," a work area alongside the indoor pool at his home in Memphis, where he flees the "stampede" of regular office routine.

Mr. Johnson, what line of work would you say you are in?

I guess you would say very simply that I am in the money-making business. But let me add that I am not bent on making money just to be making money. After all, I don't feel that anyone—myself included—places money ahead of everything else. Since virtually everything I am involved with concerns the busi-



SEEING PROBLEMS AS OPPORTUNITIES *continued*

ness of people, I like to think I'm in the people business.

My wife and I build homes, but for whom? We build them for people, but we necessarily build at a profit. Mrs. Johnson and I also build apartments for people, but again at a profit.

In our Medicenter convalescent home endeavor we are really in the middle of the people business. And in the biggest sense of all, I am fortunate to play a part in the people business of Holiday Inns, a company made of people.

So you ask me why I have to keep driving to make money. It is just a game of life; that is the best way I can describe it to you.

Where is the money to be made in this people business?

Now what you need to do is to find a business there is a need for. When we ventured into the Holiday Inns business, there was a definite need in America for reasonably priced, dependable accommodations, and there is a need now for this type of accommodation all over the world. So I say to you, find an industry that is in the need of growth.

Now, when Mrs. Johnson and myself went into the hospital business, there was a definite need for it at that time, which we think we have helped to fill. And nursing homes. We were one of the first to get into that to any degree.

Another business that we have gone into is the cemetery business. So I guess you could say we are providing service to people from the beginning of life to the end of life.

This cemetery business started about nine months ago when a fellow came to us with a cemetery proposal—every day some businessman brings us some kind of proposal. We looked at it a few days; then I got hold of it and found I could sell four-by-eight cemetery lots for X dollars and cents.

I said, "That is not enough money," so I called up a posthole digging company, and I said, "What is the largest round posthole digger that I can buy?" and he said, "We can get them for you 24 inches wide." Then I called up a fiberglass casket manufacturing company, and I said, "Can you make a casket round and form-fitting?" and he said, "Yes," and so then I applied this to my piece of ground

—one, two, three, four, five, six, seven, eight—so I'll get eight times as much for the same piece of ground.

Now I haven't sold any this way yet, but I haven't found anybody who objects to it.

How will you bury them—standing up?

Yes, sir.

You first made it big in the home-building business. What got you interested in becoming a builder?

Well, I am doing exactly what I intended to do when I was 14. At that age I said I would be a builder, a contractor.

Why? How did that appeal to you?

My Uncle Emmett was a contractor back in Edinburg, Miss. He built the largest span across the Pearl River at that time. I saw that bridge, and I said, "This is what I am going to do—be a builder."

So when I was 16 years old, I was a full-fledged carpenter.

I learned how to read a scale and I learned how to estimate and make blueprints and all that stuff. When I was 18, I lacked two years before finishing high school—and they only had through the 11th grade then—but I had \$1,800 in the bank, and a fellow wanted a house built, so I took a contract to build this house in Moorhead, Miss., where I was living then. And two years later when I finished that house, my \$1,800 was gone, and I was \$400 in debt.

I was broke, just as broke as I could be. And, bless my mother's heart, my mother talked me into going back to school.

That was a tough decision. I went to high school until I was 22 years old. For me to go back there when all the rest of the kids were younger, and I was just about as large as I am now, was tough. But I had to go back. It took me 24 months to finish. I wasn't out of school for anything but Christmas and the summertime. After I finished, a man asked me to go open up a retail lumber yard as the manager.

I had never managed a lumber yard in my life, but I went to manage it anyhow. Later, when the depression came along, the business left. So, I left Mississippi and came to Memphis, and worked here at a retail lumber yard, and then the depression kept getting worse so I

left Memphis and went to Pine Bluff, Ark., and operated a sawmill.

That was the only job I was ever fired from in my life, and it was probably the best thing that ever happened to me. Ever since then I have been looking for the guy who fired me. . . . I want to give him a paid month's vacation to anywhere in the world.

Why is that?

Because if he had not fired me, I would probably still be over there in Arkansas running that sawmill.

Why did he fire you?

I will never know the truth of it. He has never talked to me about it. We had coffee together at 9:00 that morning, and at 11:30 he sent a note to my house and it said, "Upon receipt of this note, you are fired." And my wife, Alma, brought the note up to my office. She was just boo-hooing and crying, and I was mad. If I could have found that guy that day . . . but he had left town. He sent the note, got in his car, and left.

So the sales manager of a lumber company offered me a job up in Arkansas. At the same time, I put a newspaper ad in the *Commercial Appeal* in Memphis. I described Wallace Johnson: he could draw plans, he could make blueprints and do the kind of work I had done for many years in Memphis. And I got this note saying, "If this is the Wallace E. Johnson that worked for us 'X' number of years ago, report for duty Monday," and that was it. Mind you, it was a blind ad. He recognized me by my describing myself. I came to Memphis and we stopped at the Chisca Hotel, and Alma had \$20 in her purse. That was every dollar in the world that we had. We got up the next morning, and I said, "Alma, do you have the purse?" and she said, "No, you have it." So we turned the room upside down and couldn't find that purse.

Well, I couldn't wait for the elevator, so I just went down the stairs, and I turned our car inside out and I still couldn't find the purse. Just 15 cents was all I had in my pocket. Later, we got in that car—this was a two-door car and you had to turn the seats down—and when I turned one of the seats up the purse fell down right at Alma's feet. She picked it up, and neither of us could say anything;

we were so grateful we just couldn't talk.

I worked with this company for three years, and in December, 1939, I quit to go into business for myself. I had borrowed \$250 on an old second-hand Ford, and I was 39 years old then.

I built my first house at 132 S. McKellar, and it is still standing there today in good condition. We could build good houses, but I think what turned the business on more than any other one thing was when I went to a printing plant and had some pasteboard signs printed that said, "Let Wallace E. Johnson build you a home on this lot."

At that time there were more than 15,000 lots scattered all over Memphis, with curbs and gutters and utilities and sidewalks—and weeds and grass.

I didn't own a cockeyed one, but I'd just sow these signs—400 or 500 of them—up and down the street.

One day I was up in the Commercial & Industrial Bank making a \$5 withdrawal, and a man in front of me was making a \$500 deposit. He turned to the president of the bank and I overheard him say, "Where in the heck did this fellow Wallace Johnson come from? He owns more lots in town than any one man I have ever seen." So, things were beginning to pick up. Pretty soon, we started the business of speculative houses, building them for \$2,999 each.

Was that new in Memphis at the time?

Yes, sir, brand new. Nobody here had ever heard of starting 10 houses at one time.

I have copies of front-page newspaper headlines stating, "Wallace E. Johnson starts 10 houses." Nobody ever heard of anybody being that crazy. The first year we were in business, we built 181 houses.

Were you the first in Memphis to recognize the need for low-income groups?

Yes, we built low-income housing for both Negroes and whites. And then we were the first to build a low-rental housing project. Down through this section of the country, these were the first low-income projects built, both for Negroes and for whites.

At that time I had a meeting once a month with my employees and their entire families. We'd take



Wallace E. Johnson, president of Holiday Inns of America, works at his "think center" alongside the indoor pool at his Memphis, Tenn., home. His wife Alma shares in many decisions involving Johnson enterprises.

them out to dinner for 50 cents or 75 cents a person—that would buy a good meal at that time—and I would say "All right, gentleman, next year we are going to build a house a day, or 365 a year." In 1941, we started, finished and sold 365 houses! In 1942, I ran 1,000 houses through the mill, and in 1944 and 1945 and 1946—around that period—we would build and sell 2,000 or 3,000 houses every year.

Did you do this alone?

No, everybody pitched in, especially Alma. You always hear about the part that a wife plays, but I want you to listen to this. One

time we had an inventory of maybe 150 unsold houses on our hands, and Mrs. Johnson and myself were thinking about how we could get this deal turned on, and she came up with the idea of running a contest. We had about 25 salesmen working for us and we decided to tell them we'd take the wife of the salesman who sold the largest number of those houses—we'd take his wife to town and we would spend \$400 to dress that gal up in the finest clothes available. We also had other prizes all the way down to \$50. Before we put this contest into effect, when the husbands got in at 9:00 o'clock at night, the wives

would say, "Frank, what in the world did you stay out so long for? My goodness gracious! Why didn't you come on home earlier?"

But all that soon changed. When they got home at 9:00, the wives would say, "Frank, if you haven't made a sale, get out of here and make one, and don't come back until you have."

Did it work?

My goodness, it turned the whole business upside down. We sold houses when the rest of the folks in town couldn't give them away. I have never seen the fellows turned on more. So, you see, these ladies can really turn us on. And they can turn us off, too.

Didn't you get your carpenters and bricklayers and everybody else out working for you at one time?

Oh, yes, we have always done that. At one particular time—I never will forget this—I had 50 or 75 houses unsold, and the banker said to me, "Wallace, I think we have gone about as far as we are going to be able to go with you. You haven't made any sales in about 30 days, and if you don't bring in some more sales, we are not going to let you start any more houses." So I called together all the painters, paperhangers, carpenters, bricklayers... everybody.

"We are building more houses than any other one company in this situation," I said. "But in two weeks if we haven't sold this inventory, you are not going to have jobs, I won't have one, and there won't be anything. This is getting down to the real tough going."

"When you go to church, when you are on the streets or wherever you go, you talk about buying a house. And when you meet a fellow on the street you just say, 'Mister, wouldn't you want to buy a house?'"

This was the way the whole gang worked, and we sold our quota of houses in just two weeks!

Let me back up for a second and tell you about something else. I had a young man working with us at one particular time—a very fine person—and he went to New Orleans and met up with an officer in the Seabees. This boy got to doing a little drinking with this naval officer and the next thing I knew, this officer called me from Grenada, Miss., and said, "Mr. Johnson, we have just completed the inventory

of all your trucks and equipment and manpower, and we are coming to Memphis to move it all down here."

I said, "What are you talking about?" and he said, "Your whole organization has been signed up for the Seabees, and you are being shipped out in two weeks for the Pacific." I said, "Have you lost your mind? What is happening to me? Tell me something about this!" And he said, "That is the truth. This boy has signed everything up," and I told him, "Man, that guy doesn't own my company. I can't do this." He said, "Mr. Johnson, you have just got to." I had to go some to get us out of that one.

I had just gotten that thing straightened out, and Gen. Marshall was flying through Memphis. He bought a newspaper here and read that Wallace Johnson was turning out a house every two and a half hours, bang, bang, bang. So, when he got to Washington, he called me on the phone, and said, "This is Gen. George C. Marshall. Put your secretary on the phone; I want to tell you what I want you to do."

He literally had the authority—there wasn't any question about it—to just say, "You go do it," and I knew that. I got so nervous I couldn't hold the phone, I was shaking so bad. I got my secretary on the phone and I got Mrs. Johnson on the phone, and all I could say was, "Yes, sir. Yes, sir. Yes, sir." And he told me, "Take your engineers, yourself and Mrs. Johnson, and catch the train tomorrow night and you come into Knoxville, Tenn., and you go to the Andrew Johnson Hotel there and wait for instructions." We did, and the next morning they came over and picked us up and carried us out somewhere—I don't know where—and they fingerprinted and they blueprinted and they questioned us half a whole day, and then the next day they said, "We are going to tell you what we want, but you cannot ask any questions. Here is the plot plan on a piece of ground here, and we want 3,000 houses and want them in 90 days, and you don't have to ask about money or anything. Just go to it."

I have letters from him in long-hand, sealed in beeswax. But I finally had to get out of that because I was building defense housing all over the country and I owed the banks a lot of money. Of course, they paid me for drawing a lot of

plans that I drew, and some of the original houses are standing there at Oak Ridge, Tenn.

When you started the Holiday Inns, this being a franchise operation, did you have trouble getting people interested in it?

Oh, yes. We had a lot of trouble. It was 1953 when I joined up with Kemmons Wilson, the founder of Holiday Inns of America.

I had been very active in the National Association of Home Builders, so I sent 75 letters of invitation to builders all over the nation to come to Memphis. We had them all there for dinner one night and we tried to sell home builders on going out and buying the franchises.

Out of 75 builders invited, 65 showed up. Everybody was really excited about it but only two or three builders bought the franchises.

How come you had so few franchise takers?

Well, at that particular time we had a very tight money situation.

You have had your troubles with finances over the years, haven't you?

We have had troubles, yes, and it has been my job primarily to secure the finances for Holiday Inns. Getting money has been no problem. I look at it as just an opportunity. I don't have any real problems at all. I will be very frank with you and tell you why I have no problems. One day in November, 1966, I flew to New Orleans with my preacher, Dr. James Eaves, pastor of Union Avenue Baptist Church in Memphis.

On the way back to Memphis, we were in a hurry to get to the airport from the outskirts of New Orleans, so we chartered a helicopter, and 250 feet in the air, the helicopter lost power. The engine went pfft and out she went, right over the city. Coming down, the blades sawed four high power lines in half, and we sawed the roof off a house or two.

Those electrical power lines hit the ground, jumping around like lightning and barking like a dog.

The pilot had said to us on the way down, "As soon as we hit the ground, run if you can, because this thing is going to burn," and sure enough, gasoline was all over the streets, but it didn't catch fire and I waded right out in the middle of it. You could have picked up the

There's a four-letter word to describe people who are always speaking out.



Free.

And when free people speak out they
run America.

But you don't need a microphone.

You can be just as forceful from the
ballot box. Just as dramatic in your letters.

In America, you can voice your opinion
in many ways. And the quiet ways are
just as effective as the loud ways.

Like participation in community
government. Or your church societies. Or
any local civic association. (Maybe the
group won't do it your way, but at least
you'll know why they did it.)

Like voting. In the primaries as well as
the general elections.

Like writing. To your public officials.
To your newspapers, radio and TV stations.

So don't let someone else run your
country just because you can't speak in
front of a crowd.

You can speak to the whole country. In
your own quiet way.

Just remember: there's more than one
way to voice your freedom in America. But
there's only one way to stay free.

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pieces of that thing with a shovel. But I walked away from it all. Coming down through the sky, I said to my preacher, "Looks like we're fixing to go to Heaven," and he said, "I hope not." For the time being, I'm glad he was right.

So, since that day, I have had no problems on this earth at all. I have a great number of opportunities, though. I really have the opportunities.

How would you go about borrowing money, say, when you were doing something that nobody else was doing?

Well, I want to say this: Even before we ever started Holiday Inns, I had to borrow millions and millions of dollars to build houses. So I have been in the money-borrowing business all my life. I even borrowed \$85 to get married on.

I have always tried to look at it like this. A banker may be the finest friend in the world, but he wants to know how you are going to pay the borrowed money back. So, if I don't have a way set in my mind how I'm going to pay it back, I just don't ask for it.

I believe the human mind is like a field in the spring of the year. That field doesn't talk back to you to say, "Plant on my back cotton or corn or rice." It doesn't care what you plant, but whatever you plant and fertilize and water, that is what you are going to gather at harvest time. So if you plant in your mind: "I can't borrow this money," and, "This project is going to be a failure," and, "I am going to be a failure," well, that is what grows in your mind.

I have always been able to convince a banker that I needed the money, because I make it a point to know in my mind exactly what it is for. I believe in positive thinking and, more important, I have always prayed for God to give me wisdom to do the right thing.

What quality or talent of yours would you say has been most helpful to you in your career?

Well, I've always wished my papa had sent me to college. The first time Mrs. Johnson ever heard me say this, she said, "College would have ruined you! It wouldn't have fitted you!" Then, she compared me to the bumblebee. The bumblebee, according to science, was not built to fly. But he doesn't know the difference, so he just goes

flying right along. In college, I might have learned I couldn't do a lot of things I've been doing, so my wife tells me.

Alma always says that one of my qualities is being stubborn; not giving up easily on anything. Others say that simply being able to think something through—and being able to sell it—might be called my strong point.

Now, let me tell you what I think my real strong points are. First, I have the greatest wife a man ever had. She is really a powerhouse of a thinker. She is secretary to 76 corporations, and she helps to make decision after decision. And then I am also blessed with the greatest partner in the world, Kemmons Wilson. He is really a great man. Both of us think things through together.

Mrs. Johnson is a terrific business lady. She practically has a sixth sense, when it comes to business. In all these 42 years, I thought she was thinking, but she wasn't thinking; she was feeling. Ladies have this sense of feeling; they are blessed with a feel for particular things.

To show you how this works, let me tell you about when I had about 3,000 houses left on my hands after World War II was over. Man, I had salesmen selling the equity for \$300 or \$400.

One morning Alma and I drove all over town, and she looked around and said, "What are we selling that house for?" and I said, "We are selling it for \$3,000." She said, "Raise it to \$4,000." Then, she said, "What are we selling this house for?" and I said, "\$4,000," and she said, "Raise it to \$5,000." In four hours she had raised the price of housing a million dollars in this town.

Her decision brought us a million dollars just like that. And three or four months after that, she went right back and raised them another million dollars! She really has a feel for this.

During the war we were building over in Pine Bluff, with 400 houses under construction. The Army had drafted every painter I had, but one, and I could see Wallace Johnson going broke so fast I didn't know what to do. So, I went back to the office and I said, "We can't finish these houses; we have no painters," and Alma tells me, "Go back to your office. I want to think about it a little, and I will check back with you directly." Later, she

came back and she said, "Let's use women to paint!" Never had anybody heard of that in this town. So, we put an ad in the Pine Bluff paper: "Wanted, women to paint houses."

Then, I told her, "Go to town and buy whatever you want to in the way of coveralls, and you take one of these houses and you start the first school for women painters."

In the next few days, they had 100 women going to school to learn how to paint. They had paint all over their eyebrows, in their hair, and all over them. I have pictures showing them like that. But we finished those houses and later brought that trade back to Memphis, and I have had as many as 300 women working for me on the weekly payroll, painting houses on the inside. And lots of them have done a lot better job than the men.

So I think I have been extremely blessed with a wife that is unusual in money-making views. It seems that every time I went against her advice, I didn't come out so well.

To what else do you attribute your success?

I think we have a way of communicating. I think this has been one of our reasons for success. We have been able to communicate with the people; to communicate with those working for us, to communicate with those we work with, and to communicate with the bankers and lending institutions, et cetera, et cetera.

I keep a list of stockholders in every town. When I get into a town and I have 10 or 15 minutes waiting time, I will call stockholders up and say, "This is Wallace Johnson, president of your company, Holiday Inns of America, and in 1962 you bought 100 shares of Holiday Inns stock at so-and-so many dollars, so today with your splits and so on, you have 400 shares—and you have sold off 20 shares, but it cost you \$1,900—and now your stock is worth \$65,000. I just wanted to call you up and tell you how your company is doing."

How do you keep track of everything you do?

Well, I have always been able to do several things at once. My secretary claims I can write a note on subject "A," talk on the telephone on subject "B," and read a letter on

subject "C," while she is reading another letter out loud to me on subject "D." And if I am talking to you on the phone, you will never know that there is anything else going on except subject "B." That's what my secretary says.

I will just say the Good Lord blessed me with a wonderful memory.

I remember more figures than I do any particular thing. I could tell you right now exactly how much money I have in Holiday Inns or in about 250 bank accounts, and I won't miss any one of them over just a few hundred dollars.

I think it is hard for me to tell you how I do it. All I can tell you is that I do it. I think it is by concentrating.

How do you spend your spare time?

Working.

I mean how do you spend whatever time you have off?

Working. Well, we have a home in Hot Springs, Ark., which we have had for a long time, and I get over there away from it all some, but over there, I still am thinking mighty hard.

I try to read, oh, one or two books every month. Right now, I am reading "Enthusiasm Makes the Difference" by Dr. Norman Vincent Peale. When I got through reading the first two or three chapters, I found it was so great, I put it on tape, and I have the tape on a machine right over there. I turn the tape recorder on and put on the head phones, and frequently, while I am listening to one book on tape, I am reading a different book at the same time.

God was smart when he made man. He made four holes in the head for information to go in, and only one for it to come out.

Because we have so little time to improve our minds, as much as they can be improved, I set goals which I make myself live up to. I make a list, a long list. Then I turn around and talk to myself and lecture the old man and get him going to get the goals accomplished.

That has been the secret of Holiday Inns all along. We have had goals. Some people laughed when we said we would have a system of 1,000 Holiday Inns. We now have 1,050 and hope to have 3,000 around the world in 10 years. That is one of our many goals.

Besides the 25 industry-related

companies which HIA now owns, the company is in the process of acquiring Tco Industries, Inc., which controls Continental Trailways, Inc., Delta Steamship Lines, Inc., and other properties, including foreign and domestic tour operations.

You have done quite a bit of innovating, in building motels, haven't you?

Quite a bit of it. What has made the motel a success is that we just keep building the same size room over and over, and we have eliminated the guesswork. We know that it only takes four feet of this and 10 feet of that to get the job done. Yet we keep modernizing our designs, in order to keep up with the changing trends.

How do you motivate your people?

I think we have at Holiday Inns the finest profit-sharing plan in America. It is modeled after the Sears-Roebuck plan. We have maids and porters and other people in the company who have stayed with us and have saved more money than they ever thought they would save in their lifetimes. Also, we are blessed with the type of family spirit which I feel is the greatest strength of the Holiday Inns system.

How do you go about getting the right people?

I just thank God so many of the right people want to go to work for us.

You are happy in what you are doing?

Yes, sirree Bob, I am extremely happy in what I am doing. I am doing exactly what I intended to do when I was 14 years old. And I have the sweetest wife in this world. I have never closed a telephone conversation with her without saying, "I love you." I am happy. I will guarantee you I am happy.

But I owe so much money, I have to get up and just run like the dickens to stand still. **END**

REPRINTS of "Lessons of Leadership: Part XLVI—Seeing Problems as Opportunities" may be obtained from *Nation's Business*, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 30 cents each; 50 to 99, 25 cents each; 100 to 999, 15 cents each; 1,000 or more, 12 cents each. Please enclose remittance with order.

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HOW WASHINGTON PLANS TO STRETCH YOUR TAX DOLLAR

President Nixon and some of the men who handle the nation's fiscal and monetary affairs: William McChesney Martin, Chairman of the Federal Reserve (far left), the President, Treasury Secretary David M. Kennedy, Budget Director Robert P. Mayo and Paul W. McCracken, chairman of the Council of Economic Advisers.



PHOTO: GEORGE TAYLOR

The Nixon Administration is banking to a large degree on techniques used in business as the government faces its own cost-price squeeze. The goal—stretch the tax dollar.

How well the Administration can manage federal expenditures will in large measure tell the story of how well it does at attacking many of the nation's woes.

The steps it has taken and others it proposes to take fall into a pattern any company might use:

- Pore over the budget, line by line.
- Tag your priorities.
- Shift emphasis.

"Most people look at Republicans as damn fine administrators," says a ranking G.O.P. Senator. "I feel that's what people are expecting from the Nixon Administration and what they will get."

The President says simply, "I believe in getting the machinery of government set up to move in an orderly manner on major problems."

The Administration is zeroing in on the \$195.3 billion budget submitted by Lyndon Johnson. And for the long haul, making the vast, sprawling government mesh in effective harmony with long-range goals, and revenue and spending forecasts.

"There's not going to be instant happiness," says Rep. George Bush of Texas, a Republican close to the Administration. "I don't think people are kidding themselves that these problems can be solved this way."

Many Congressional figures do believe that there will be a big shift "in pressures and direction" and that the Democratic-controlled Congress is in a mood to go along with certain basic decisions.

Planning far ahead

One decision that has been made is for long-range planning.

"When you plan ahead, you'll

have fewer shockers and will have some ideas about what's going on, in individual programs and the sum total," says Director of the Budget Robert P. Mayo.

"If we fail to plan ahead to 1972 and 1973, we'll have no perspective on the 1970 and 1971 budgets."

Certainly the problems of the country did not change with the change in Administrations. The war in Viet Nam, inflation, and social traumas of housing, unemployment, health, crime and racial tensions still demand solutions.

And the solutions to many of these carry a price tag. So it is here that managing the tax dollar becomes of paramount importance.

A line-by-line review of the budget ordered by Mr. Mayo had the immediate goal of seeing what wasn't absolutely necessary and finding room for the maneuverability the President wanted for putting in new ideas.

The budget autopsy also was necessary to prepare for the possibility that Congress wouldn't go along with the Johnson budget recommendations to raise levies for social security, unemployment compensation and highway trust funds. Put together, these add up to the \$3 billion surplus Mr. Johnson optimistically projected for the 1970 fiscal year. In fact the Nixon Administration might well recommend some change in these areas.

Nixon Administration plans to better manage the tax dollar have had parallels in proposals made in Congress. Among these is one to shift existing programs to new homes within government for more effective management. For example, some programs now blanketed in the Office of Economic Opportunity, such as Job Corps training programs for jobless youth and Head Start programs of pre-school education.

There is strong feeling in Congress, as well as from some of those

within the Administration, that on-going programs like these should be transferred to established departments in these spheres, such as Labor and Health, Education and Welfare.

"I would expect HUD (Housing and Urban Development) and HEW as well as OEO are places at which you can take a hard look," says G.O.P. Sen. John Tower of Texas. "I think Congress is in a receptive mood to anything that will save the tax dollar."

This line of thinking—both by the Administration and on Capitol Hill—carries over to all of the multiplicity of programs dealing with government programs. "Such as three different agencies handling sewer grants," remarks one Senator.

A new Hoover commission?

Over the long pull, many expect the Administration to create some sort of Hoover-type commission to study and recommend over-all government reorganization.

Sen. Fred Harris of Oklahoma, new chairman of the Democratic National Committee, agrees there is strong bipartisan support in Congress for a look at programs aimed at the same target but fractured in supervision.

"You know the Kerner Commission on Riots (he was a member) was appalled at the fragmentation and number of job training projects," he says. "If it was frustrating to us to try to find what's available, think of what it is to the ghetto youngster who finally decides he'll get up and go down and get in one of those training programs."

No one in the Administration is kidding himself that it would be easy to pull together all programs relating to job training in one agency or that all programs dealing with education or health could be blanketed under a single roof.

But it is in just this manner that

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**HOW WASHINGTON PLANS TO STRETCH
YOUR TAX DOLLAR** *continued*

many believe the tax dollar will be used to best advantage.

The Administration has to run two distances on the same track if it is going to manage your money more effectively. It knows it. So does Congress.

The short run calls for taking the needs of the country and the existing programs and the available money, and coming out with the best balance sheet now.

It's here that a line-by-line review of the budget runs into tough decisions on items that might seem insignificant in the light of a total of nearly \$200 billion.

Is a million dollars needed for more forest land? Can it be deferred?

What about \$320 million for Rural Electrification loans? Is there that much demand?

What's this \$10,000 for taxi fares for FBI agents on official duty? Is it enough?

Penny wise or pound foolish? Every item adds up.

The long run need is to define goals and tailor government machinery to give citizens optimum results for the future good of the country.

Machinery is in motion

The Nixon Administration has already put into motion machinery it feels can define these more distant goals. The new Urban Affairs Council within the Cabinet will try it for social programs. The new Cabinet committee on economic policy will deal with economic and financial matters.

The key money management people in the Administration, of course, are Secretary of Treasury David M. Kennedy; Paul W. McCracken, chairman of the Council of Economic Advisers, and Budget Director Mayo. Maurice Stans, Secretary of Commerce and former Budget Director, is knowledgeable and influential. And Arthur Burns, in the new super post of counselor to the President, will surely have a say in money matters.

Managing tax money to get the most out of it will be part of the Administration's delicate task of fine tuning the economy to dampen inflation without excess unemployment. Many in and out of Congress have sharply criticized "yo yo" economic tactics—using fiscal policy to spur and brake the economy.

The Administration's aim to move in "orderly" manner is in tune with some legislative leaders' thinking

that "overpromising" and "promises that can't be kept by overnight action" have caused many of the nation's problems.

A hard, realistic tagging of priorities is felt by many close to the Administration to be a key to getting the most out of the tax dollar.

When he took the job as budget director, Mr. Mayo said, "My greatest challenge will be to sort out the priorities in as cold-blooded a way as I can."

PPBS—a tool to be used

A management tool the new Administration can be expected to make increased use of in defining and achieving goals is PPBS—planning, programming, budgeting system. It was first used by the Defense Department Under Secretary Robert S. McNamara and was extended to all agencies of government. This cost analysis system is familiar to business and now, after some hard resistance and some painful acquiring of know-how, is beginning to loom importantly in all government.

"It's a system that most departments and agencies felt at first was applicable mostly to those dealing in hardware—like defense," says one PPBS agency official. "But now it's beginning to be recognized that it's a hell of a good system to make every person involved in the budgetary process think money—take a look at just what he's getting out of a program when he's recommending you spend more on it."

The painful know-how came with the recognition that PPBS, or any system of cost analysis, is no panacea; that it is only a tool for the decision maker.

As most businessmen know, the chief value of any budgetary tool such as this is making people "think money." And making people "think money" is another key part of the Nixon Administration's plans to get the most out of the tax dollar.

A dollar-conscious mood in Congress, too, is why many in the new Administration feel they can work very effectively with the lawmakers even though the legislative branch is controlled by the Democrats.

Many Congressmen agree, some saying they don't expect President Nixon to be as "demanding" as President Johnson—for programs, and billions in extra spending.

They point to areas of general agreement like this:

The Administration believes there

should be a dramatic push for incentives as the way to solve many social problems. For example, tax credits to induce business to take on the risky chore of building and rehabilitating slum housing and to train hard-core jobless and erect plants in central city areas to employ them.

There is some support for this type of tax credit in Congress and most of the opposition is centered not against the idea per se but because some feel this is "back door" spending by government.

Budget Director Mayo has indicated he favors including such incentives in the budget's "expenditures" side. Budget experts feel this can be done and Congressional supporters think such a proposal will be approved—if the tax credits are offered on a reasonably broad scale.

"I think we will go to an incentive emphasis," says one influential Democratic Senator. "We have reached a plateau. You can't say all the old programs and approaches were bad. They weren't. They were good. They served their purpose for their time. What you have to do now is think for the '70's."

The feeling in Congress that the emphasis should be shifted to incentives was reflected last year in the work incentive amendment to the Social Security Act, which set up employment training for mothers of families on welfare and day care centers for their children.

It is frequently cited as the type of program that is realistic and needed to restore dignity to the dependent.

That the program is a child of Congress reflects, too, the jealousy of Congress over its constitutional role. It is increasingly taking unto itself the task of initiating legislation. To many close to the Nixon Administration, this can only work to the good of the aims of the new team in town.

An administrative Administration

The whole tone of the Nixon Administration is that it will administer—propose boldly where new approaches are needed, but concentrate on making what's already established work properly. "The Nixon record will be made on administration," predicts a G.O.P. Senator. "But it will take time."

"Congress legislates. Agencies administer. I want to see the FPC (Federal Power Commission) and the SEC (Securities Exchange Commission) get out of the legislating

business," remarks one House member.

Even before the Nixon Administration took office, assembled its key groups and started its own process of evaluation, it was getting plenty of signs that making the most of the tax dollar was imperative.

Last year Congress would not pass the tax surcharge without a cutback in spending.

However, proposals that Congress set up an economic advisory staff as a way of riding herd on the tax buck have gotten a chilly reception. Not only does this downrate the expertise of the knowledgeable and efficient staffs of the Congressional Appropriations, Finance and Ways and Means committees but it produces the same sort of duplicatory effort being cited on all sides as a waste of tax dollars.

In getting the most out of the tax dollar—as your money manager—the new Administration's approaches boil down to:

- A really tough look at every dollar asked by every department and agency.
- A hard look at the overhead type of expense.
- A realistic appraisal of performance as measured against over-all goals.
- A sharp appraisal of the advantages of tax sharing and bloc grants to put the responsibility of good money and program management in the hands of the states.
- Ultimately, a candid study of the idea of decentralization of government.

This, in the view of many Congressional leaders, could be the greatest opportunity for the new Administration and it is what many expect will be proposed by any Hoover-type commission.

Regional offices of Washington agencies with decision-making authority is what most city officials have long sought (See "Answers to the Urban Crisis" survey of mayors, February NATION'S BUSINESS).

"It is a painful and difficult subject," says one Senate leader. "But the problem is decentralization and efficiency in government. People have come to believe government is just too big, too impersonal. Some way is needed to reverse this thinking."

The feeling is that if this can be done, the battle to get the most out of the tax dollar will be on the way to being won.

END

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business: a look ahead

MARKETING

Handling advertising for major political campaign has payoff besides obvious benefits.

To be sure, Fuller & Smith & Ross of New York feels successful participation in Nixon campaign may bring future political business as well as some additional private accounts.

But John Poister, until recently a senior vice president, says experience gained—particularly in media coordination—proved invaluable. "It's like going through a couple of battles after being in training." Agency put together

full-time team of 62 people, many on loan, for Nixon effort. It is keeping a couple of those borrowed on a full-time basis and feels it has the nucleus for any major crash effort.

Intangible benefit is confidence based on agency's performance under the gun, says Mr. Poister, "shaking people up in the right way."

There may be liabilities, too. Mr. Poister is convinced his agency lost a major client friendly to Kennedy family because of work for Barry Goldwater during 1964 primaries.

AGRICULTURE

Sign of the times: Pigs get deodorized to be compatible with suburban living.

Might sound far out. But home construction has been encroaching on farmland, including areas where hogs are raised. New owners move in, sniff prevailing winds, and start raising a howl. Or something. Problem got bad enough for Agriculture Department to contract

with Purdue University researchers to study removal of animal waste from hog houses.

Solution is channel arrangement in hog houses, from which wastes are piped to septic tanks; liquid overflow is piped to lagoon where action of sunlight, algae purifies remainder.

Screening throughout prevents breeding of flies or mosquitoes.

CREDIT AND FINANCE

Business watches trend in insurance: expansion of group employee coverage into new fields. Group coverage, with premiums paid by payroll deduction, has been limited mainly to life, health policies. But there's pressure to add other types like auto, homeowner and other coverage.

Employees can expect more coverage per dollar because of economies of handling group coverage. But there would be more

headaches and paper work for employers.

Some in management note United Auto Workers are pushing for auto coverage in contract talks next year, and fear UAW may eventually demand companies pay the entire cost.

Beyond insurance, there's talk of adding more general financial services to payroll deduction system, such as mutual fund purchases, vacation payments and real estate and stock market transactions.

CONSTRUCTION

Lessons derived from planning new communities from scratch will likely be applied to social and economic remaking of existing cities starting some time this year.

This is forecast of The Rouse Co., developer of Columbia between Washington and Baltimore. It has created American City Corp. as a subsidiary to do just that. American City is headed by Leo A. Molinaro, former president

of the West Philadelphia Corp., developer of Philadelphia area's University City. America's product is a process for harnessing teams of specialists to attack the tightly interrelated problems of existing communities.

Prospects for contracts have gone far beyond discussion stage, says a Rouse spokesman, who forecasts "a major announcement some time this year."

FOREIGN TRADE

Washington business observers are optimistic over future U. S. trade policy.

For one thing, there's the report of the Public Advisory Committee on Trade Policy to outgoing trade negotiator William M. Roth.

"There's nothing in the report that's startling in itself," notes one industry observer. It's more the fact that business views appear so strongly reflected throughout. Particularly cited

are recommendations on need to coordinate world trade policy with international monetary relations, continuing of most-favored-nation system, and quest for genuine assistance to domestic industries suffering dislocation.

And early last month, President Nixon spoke strongly in favor of free trade versus protectionism, while conceding the need to alleviate plight of particularly hard-hit industries.

MANUFACTURING

Strong demand for cars through 1975 offers bright outlook for automakers, suppliers.

A new market study cites younger families with higher incomes as a chief reason. It gives no absolute numbers to measure demand but cites several broad influences on auto picture.

Spending for new cars continues to rise at faster rate than disposable personal income.

A sharp rise is forecast in upper-income families—from 12 million today to nearly 20 million. Families in this bracket have incomes of \$10,000 and over, buy new cars twice as often as average families.

Trend toward growth in younger population, plus changes in income mix, also are expected to influence auto styles, price lines.

TRANSPORTATION

U. S. railroads face long-term economic problems if drastic changes in government policies fail to materialize.

So says Alfred E. Perlman, president of Penn Central.

Rails' ability to compete with trucks, barges will continue to suffer if they must continue absorbing losses from passenger service, he says. (Association of American Railroads agrees, asks subsidy for passenger trains which must operate at a loss.)

Another problem is prohibition of common ownership of rail, highway, air and water transportation.

Genuine competition among transportation companies with widely diversified service capabilities, Perlman says, would promote industry's health as well as yield great savings in costs to users.

Yet regulatory agencies appear more solicitous of preserving competitors than real competition, he claims.

NATURAL RESOURCES

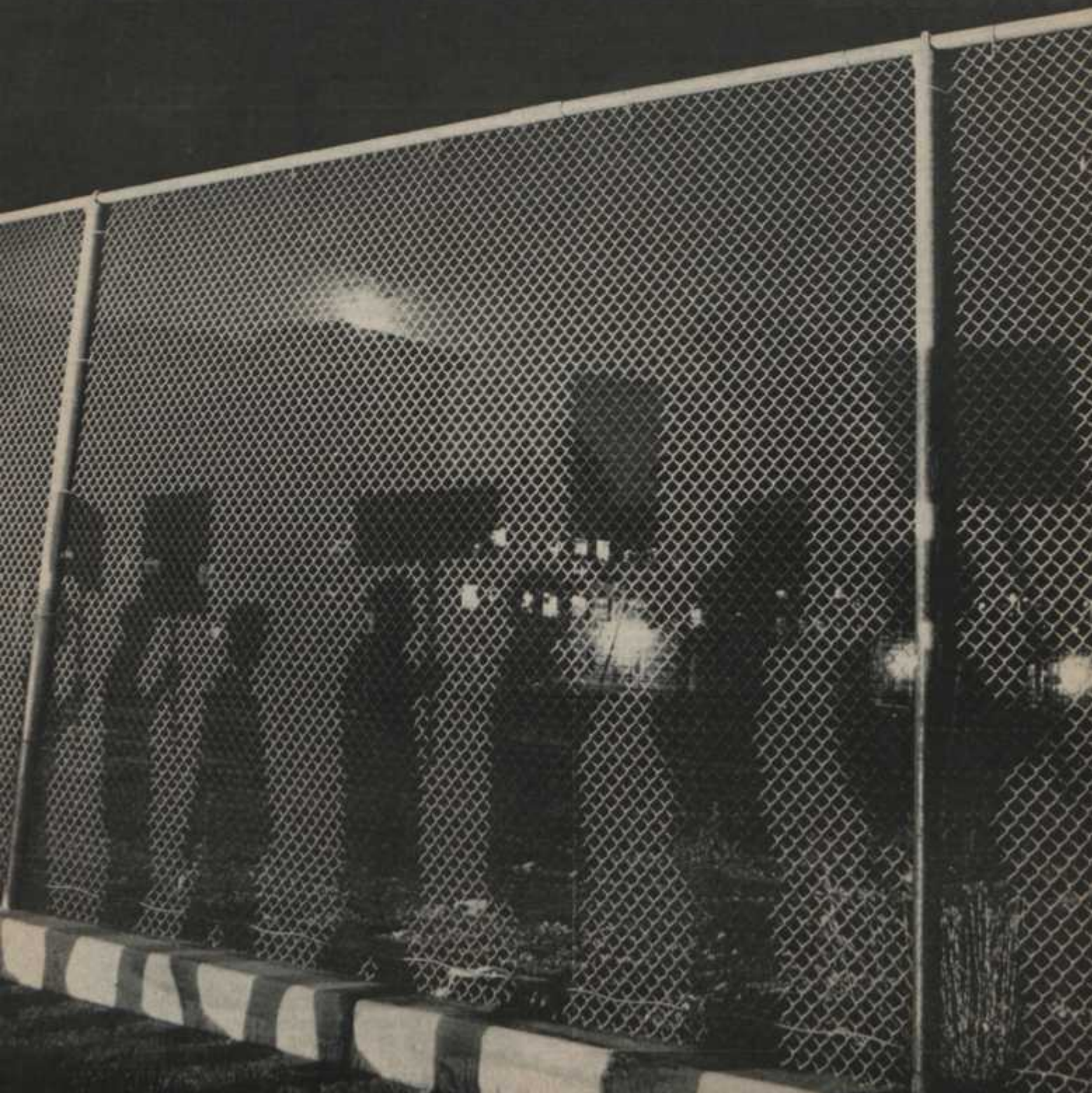
Oil will stay in the center of controversy.

It's not only off-shore drilling, with its oil slick problem, that's in for more pressure for regulations. (Chemical companies report at least limited progress in dispersing small concentration.)

Proposal to establish free trading zone at Machiasport, Me., confronts government with policy decision over future of import quotas. Discovery of gigantic oil reserves in Alaska

has even greater implications for U. S. production picture. Farther in future is oil shale, for which no extraction facilities have yet been started. Government estimates that up to 1.8 trillion barrels, more than 60 times present estimate of U. S. reserves, may be contained in shale deposits. Shale development alone poses knotty issues of government control, financing and technological development of extraction processes.

DO THEY HAVE A "RIGHT" TO STRIKE?



Few Americans—including even the 18 million or so who belong to unions—have ever been directly involved in a strike. So a great many people have a mistaken idea of what a strike is. They think a union is merely attempting to prove to an employer that no other workers will work on the terms he has offered, so that he will be forced to take back the striking employees on the union's terms.

If, however, other workers accept the employer's last offer, then the union's demands are shown to be in excess of the going market rate. And (according to this popular misconception) the striking employees will accept the employer's final offer and return to work.

Thus, when violence occurs, many people believe it is an accidental by-product of a strike.

Actually, if a strike followed this pattern, it would be a noncoercive economic device to convince an employer that a union's demands are in accord with the market price. In fact, this amounts to employees quitting in mass. It is not a strike.

It is quite another thing for employees to leave their jobs while claiming a "right" to them, and resorting to physical force to prevent others from taking the jobs they left voluntarily.

As an analysis of the purpose and implications of a strike will demonstrate, both the assertion of job "ownership" and the initiation of force to defend such ownership are inherent aspects of every strike.

Because a strike occurs only when the employer will not voluntarily consent to a union's demands, a union must attempt to inflict an economic loss on the employer. If the employer could operate profitably without his striking employees, a union would never get him to capitulate.

A union must be able to say to the employer: We are the sole source of labor. Either you deal with us on our terms or go without.

To enforce this ultimatum, a union must possess a monopoly of

the labor market. It must prevent the employer from obtaining replacements for the strikers—even when he can find workers who would accept his terms.

To keep such potential employees from going to work, some form of coercion always is and must be employed.

Strikes and coercion go together

The fact that coercion is inherent in strikes and picketing has been recognized by several courts. As a New York court declared:

"Picketing unaccompanied by threats and intimidation is a useless weapon. . . .

"If done peaceably it would be futile. It follows then that the fear, if not the terror, that picketing carries with it is the keystone of the arch . . . to the success of the cause."

Even the Supreme Court is of the opinion that "the name 'picket' indicates a militant purpose inconsistent with peaceable persuasion," and that "the presence of groups of pickets" results "in inevitable intimidation."

Thus, when a union says that it has the right to strike, it is arguing for the right to use coercion to obtain wages and benefits higher than the employer is willing to pay—it is demanding the right to destroy the rights of others.

Ironically, the mere possession of economic power to affect prices has been held illegal under antitrust laws, when such power is held by businessmen.

The claim that unions have the right to strike rests primarily on the theory that employees have a right to their jobs—that they retain some ownership in them even if they leave to picket.

Unions believe that strikers have the right to use force to make sure no other workers take "their" jobs.

Emil Mazey, secretary treasurer of the United Automobile Workers, was asked at a Congressional hearing whether he believed massed pickets had "a right to protect their jobs by physically stopping those who want to go to their jobs."

Mazey replied: "I do."

The notion that employees own their jobs also can be seen in union bargaining over technological displacement of employees.

The union representing firemen on railroad trains, for example, has

refused to permit its members to be discharged even though the function they once performed no longer exists.

The National Labor Relations Act and its administration by the Labor Board have gone a long way in providing a legal basis for the idea that employees have a right to their jobs.

The Act's definition of employees includes those whose work has ceased in connection with a labor dispute, if they have not found other work.

In one case, the NLRB actually went so far as to hold that 10 union members who had resigned their jobs during a strike—and gone to work for another company—were still members of the union and had the right to return to work after the strike if they desired.

A further example is the NLRB requirement that a company must bargain with a union over its decision to subcontract work or close a plant if jobs are to be abolished.

A union's monopoly control of the labor market rests on the Labor Relations Act provision which makes a union the exclusive bargaining agent for a group of employees—including those who voted against it.

There are other important legal sources of a union monopoly.

State unemployment compensation statutes force employers to pay for the benefits awarded their striking employees. True, not all states have them, and even those that do require various conditions to be met before benefits will be paid.

The NLRB has ruled that an employer can't offer replacement workers a permanent job and must take striking workers back, if some type of unfair labor practice is involved in the strike.

It has held also that an employer may not subcontract work during a strike unless he bargains with and obtains the permission of the very union which has called the walkout.

It has decided that an employer must take back his striking employees when the strike is over on the basis of seniority, even if he has to fire employees who returned to work during the strike, thus inhibiting employees from crossing the picket line.

Finally, the NLRB has forced employers to rehire strikers with

M. R. LEFKOE, author of this article, is president of Lefkoe Consulting, Inc., political-economic consultant firm specializing in labor relations. He has just finished a book on labor relations in the construction industry.



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DO THEY HAVE A "RIGHT" TO STRIKE? *continued*

back pay even if they have been arrested for violence during the strike, a policy which does little to discourage violence, lawbreaking and destruction of company property.

The federal Norris-La Guardia Act and similar state statutes prohibit the courts (for all practical purposes) from issuing injunctions against mass picketing, or violence, connected with a labor dispute.

Thus, not only do these laws make it difficult for workers to gain access into a struck plant. They also discourage employers from even attempting to continue operations.

The hearings on labor union abuses conducted by Sen. John McClellan several years ago resulted in volumes of testimony on how police:

Kept potential employees away from a struck plant on the grounds that they were "helping to keep the peace."

Refused to investigate acts of union violence.

Arrested strike-breakers for fighting back, rather than the strikers who attacked them.

The destruction resulting from strikes has reached major proportions. Hardly a month goes by without some union calling a strike which either:

- Prevents children from attending school by calling their teachers out to picket city hall.
- Shuts off the flow of news by bringing presses to a grinding halt.
- Brings travel to a complete standstill by grounding airplanes or abandoning railroads and subways.
- Threatens our national defense by stopping the production of vital war materials.
- Or cripples our whole economy by shutting down entire industries and disrupting the manufacture and distribution of needed goods.

Because it is the government which has made this crisis possible, only the government can solve it.

The "right" to a job must first be challenged. Then the government must take away from unions the legal "right" to employ coercion to achieve their goals.

Specifically all levels of government must:

Enforce laws prohibiting the initiation of force.

Repeal the laws which give unions special immunities and privileges not extended to other citizens and institutions.

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WHY BEST MANAGERS ARE BEST COMMUNICATORS

Do businessmen have trouble communicating—getting through to their employees, colleagues and the public?

One communicator, who advises many large corporations, says executives do have communicating problems. He is William R. Sears, managing partner of Sears & Co., of San Francisco. Consultants in marketing and corporation public relations management, specializing in executive manpower development, the Sears & Co. client roster includes Hughes, LTV, Bendix, Textron, General Dynamics, Litton, CAE, Ltd. (Montreal), General Motors, Avco, Kaiser Aluminum, Republic National Bank of Dallas, Royal Coach Inns, and others.

NATION'S BUSINESS interviewed Mr. Sears to find out just what are the main communications hangups for business people and what you can do about them.

The interview follows:

Who are the best communicators in business?

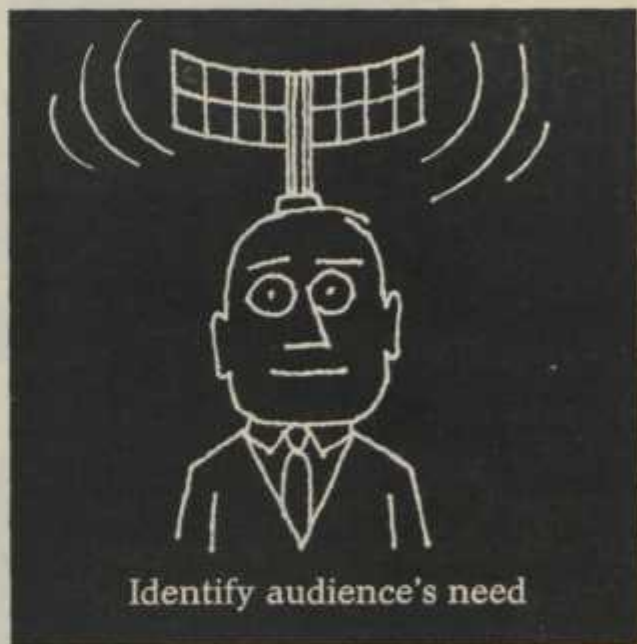
Those who communicate best are those who understand that communication starts with what the other guy needs. They concern themselves not only with the idea of getting their own ideas across but whether the listener is equal to what they want to say.

They are also concerned about getting feedback whether it is written, verbal, or even a mass meeting. Communication is a function of exchange. And communication is effective in direct proportion to participation.

Do you find that executives can reach one of their many audiences well but fall down on reaching others? For example, convincing stockholders, but not their employees?

Yes. And this is a result of the executive's upbringing. Technical men normally are most at home in communicating with other technical men. Yet a tremendous number of decisions affecting their work, such as investment in their facilities, are made by nontechnical people.

The most successful executives are those who work at trying to learn the wants of those they work with and satisfying them. Generally it is hard to become president of a company or stay president for long and



Identify audience's need



Communication requires feedback



not be a good communicator. After all, what does management consist of?

First you have to plan. Then you have got to get your tasks fragmented into some sort of organization that can manage them. Then you make those decisions that put the wheels in motion. And then you control them.

So you have four major areas of management. Well, every step of the way getting ideas across is essential. So in my judgment the best managers are the best communicators.

Then why can't many communicate well?

Because they aren't taught how.

The requirement for good, solid, grammatical, succinct expression seems to be emphasized, in many colleges today, only in English courses. A student can go through a history course or an engineer-

ing course and never learn to write well. Also, we don't give students anywhere near the exercise they need in public speaking. The result is they exhibit all the elements of stage fright—halting speech and no flow of ideas.

Finally, there's one area in which educational preparation is totally lacking. And that's listening.

Good listening requires silence, a condition in which listening can take place, and hearing, so that the sensors are at work acquiring the data. It also requires thought. You should have the whole data processing machinery at work, making evaluations, making judgments on what you are hearing, formulating questions.

What are the most frequent or tallest barriers to communications in business?

The barriers to communications can be found in four elements that take place in the communication phenomenon. First there's the person transmitting the information.

Then there is the recipient of the communication.

Then there is the medium between them: the letter, person-to-person contact, speech, visual grimaces or whatever.

Then there is the message.

The businessman must select the best way for him to get his idea across.

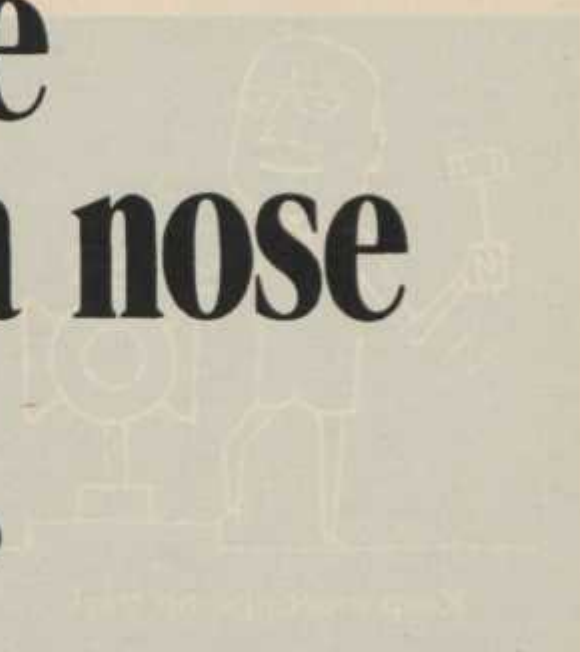
One barrier may be that he picked the wrong communication medium. Maybe it would have been better for him to go out and see a person rather than to call him on the phone.

Maybe it would have been better for him to wait until that particular person was in a setting where he was relatively anonymous or obscure in a larger group. The surface presumption could then be that he was talking to the group. But his real purpose in gathering the meeting was to get this message across to that one particular individual.

A receiver may not be qualified or prepared for a message. If I speak French to a Frenchman, presumably I can get my ideas across. But supposing I am a French nuclear physicist and I have to get ideas across to him. We may speak the same "linguistic" language. But he would be incapable of understanding



The Kenosha nose vs. The Los Angeles lung



We'd like to clear the air about the pollution control problem.

If we don't, people and cities won't survive for long. The thing we want to make clear is that the U.S. Government shouldn't try to apply the same pollution controls to all cities and localities.

National requirements just won't work.

Take New York City, for example. It's being choked with exhaust fumes.

But Amarillo, Texas doesn't have New York's problem. So why should they both be subjected to the same cure?

Pollution is a man-made problem and can be solved by man.

How we approach the problem, is the real problem. What's needed is diversity.

And now is the time. Local governments, businesses and unions should take their noses out of the air and put them to the grindstone.

To find out how you can clear the air in your town, write: Richard L. Breault, Manager, Community and Regional Resource Development Group.

But hurry. Proper pollution control is nothing to sneeze at.

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my "vocational" language, that is, the nuclear terms. Thus, I would have to "step down" to his level of preparation.

Another barrier to communication is a lack of concern with the communications phenomenon as it exists.

By this I mean a person will start to spout his ideas believing that because he is the authority in the field, his ideas will be accepted. That's just like a baker expecting a cake to come out fine because he's a master chef without making certain that there is enough heat in the oven. Communication today is no easy-come easy-go thing. It takes a lot of preparation.

Don't most executives communicate mainly in meetings? How can meetings be more productive?

First of all, a meeting should have a specific purpose.

The second thing is to understand that 50 per cent of the effectiveness of the meeting comes from the preparation, the mental preparation of the man who wants to have the meeting, and the physical preparation—the physical arrangement.

Many meetings fall dead right away just because the physical environment is bad. You may have noise, for example, or inadequate light.

Any meeting should set a time budget, whether it is a half an hour or three days. If it is a day-long meeting, no session should run longer than 90 minutes without a break.

Meetings often break down in the kidney and bladder department. If one man has to get up and leaves, you'll soon have a general exodus. The first thing you know the whole meeting has fallen apart.

Also executives who want productive sessions should know where they want the meeting to go. They should invite participation, but keep participants from digressing from the subject at hand.

Let me give you an example.

Someone will say: "As long as we are all gathered here to talk about salary schedules for secretaries, let's make sure we talk about the parking lot situation, too."

Here is a test for the competent meeting manager.

He can help keep the meeting on the track if he says, "Charlie, I think that is a terrific idea. Let's you and I get together at lunch. We will set a time for another get-together and put that on the agenda. But for now, let's make sure that..."

This subtle demonstration of discipline is all he needs to win the affection of all the others who didn't want to talk about the parking lot and to remind everyone that random departures will not be tolerated.

Can silence sometimes be a means of communication?

Sure. In Conan Doyle's short adventure story called "Silver Blaze" Sherlock Holmes draws Inspector Gregory's attention to "the curious incident of the dog in the night-time."

Comes the reply, "The dog did nothing in the night-time."

"That was the curious incident," remarked Sherlock Holmes. The fact that the dog did not bark led Holmes to deduce that the person involved had been known to the dog.

Yes, the fact that something is not said should be as instructive as that which is said.

Another part of a communicator's job is to determine what the other person says to him for effect and what he says for real. And whether his silence means indifference or polite hostility.

Can you give any tips on how a person can best know whether he is getting through to people?

Yes. Good communication is an exchange. He must constantly take the temperature of the people with whom he is communicating. In the electronics business they call it feedback.

One of the best ways to do this is to ask a person to restate what is said to him.

For example, many times people will begin quarreling with one another. When that happens, you ask, "Let me see if I understand your position correctly. You say, 'So and so. Right?'" You will touch off in the other person a desire to embellish or to clarify.

Now his inclination will be to pay close attention to what you are saying, because you are saying what he is saying. Also, you will now discriminate as to where the error really occurs and isolate it.

By implication, having isolated the real source of error, everything else, therefore, may be held in agreement. So it is a most useful device—to induce the other person to state your position or for you to volunteer to state his.

What about communications that motivate?

Information and participation are the prerequisite ingredients for motivation.

Take your secretary, for example. If you would motivate her, you say, "Hazel, I want you to type this



What's for effect, what for real?

letter without a flaw, because it is going to be seen by the President of the United States." Now she has the information that tells her why this is important.

Now, participation. Ask her, "Do you think you can have it done in the next 20 minutes?" Now, she may say "I can't do that." She may have a variety of reasons. But at least she will have had the opportunity to speak. Even if you overrule her, she has the feeling she participated—and now will work her hardest because the decision was made taking her opinions into account. And you have in such a case the highest level of motivation, far greater than the guy who comes out and says, "Hazel, type this without a damned mistake."

How do you sell an idea at a meeting?

You sell ideas in a meeting like you sell anything else.

The first thing you have to do is to address yourself to what is needed.

People in a meeting are literally instant customers. They are customers for your ideas.

How can you win their interest? Ask yourself: "How will the people in the meeting benefit from the idea that I propose they adopt? What features of the idea make these benefits possible?"

"How can I prove that what I say is so?"

"What kinds of objections may they raise to what I am proposing?"

"How can I convert that to advantage?"

"What am I to ask for?"

These are questions that you must answer.

The more you practice this simple procedure—asking yourself, what are his needs, how will you win his interest, what benefits are there for him, what is he liable to object to and what are you to ask for—the more successful you'll become at selling ideas.

How do you handle objections?

The way to handle objections is, first, listen to them and, second, seek to convert them to benefits.

Most objections come from two sources: First, ignorance. The other person doesn't know how your proposal will benefit him—and this indicates you have neglected to inform him.

The other source is fear. He is afraid that if he accepts your idea he will lose stature, face, money, position. If you can allay his fears, win his confidence and point out how his fears, spoken or otherwise, will be resolved, you can overcome his objections.

How can an executive practice on improving his communication skills?

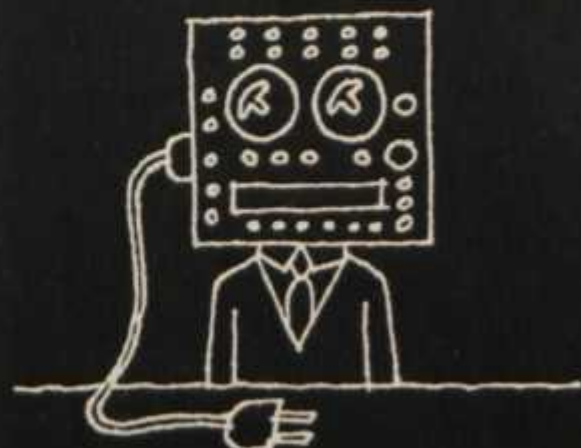
After a meeting, as soon as you get back to your office, replay in your own mind what it was that worked, what you did right and what didn't go right.

You must set yourself the private task of improving yourself. Nobody else can do it.

It is just like push-ups. You can watch the instructor do calisthenics all day long and see him get big muscles. But unless you do them yourself, you won't improve your physique.

You aren't going to sell ideas if you watch other people do it. You have to try doing it yourself and keep studying the process in order to improve through learning from your successes as well as failures. **END**

REPRINTS of "Why Best Managers Are Best Communicators" may be obtained from NATION'S BUSINESS, 1615 H St. N.W., Washington, D.C. 20006. Price: 1 to 49 copies, 30 cents each; 50 to 99, 25 cents each; 100 to 999, 15 cents each; 1,000 or more, 12 cents each. Please enclose remittance with order.



It takes more than expertise

SOUND OFF TO THE EDITOR

SHOULD UNCLE SAM SET YOUR SAFETY RULES?

Many businessmen were surprised last year when the labor unions and their friends in Congress and in the U. S. Labor Department launched an all out drive to federalize safety conditions in businesses throughout the land.

Their surprise is understandable. American business has compiled the best safety record in the world—far better than in Europe where safety programs have been nationalized. What's more, the American record has been steadily improving.

In fact, European safety experts regularly visit the United States to find out why our system works so well.

The American system is based on standards determined by states and adapted to local needs, codes voluntarily agreed upon and extensive educational campaigns. The European system is based on rigid regulations, centrally set, enforced by cumbersome inspections and stiff penalties.

Some see federal safety regulations as a convenient wedge for driving government deeper into American management.

Several bills for nationalizing safety rules in American businesses already have been introduced. They call for sweeping new powers for the U. S. Labor Secretary in setting

safety standards, wide federal inspection privileges, court orders for closing down plants if violations are found and penalties of up to \$1,000 a day for a single violation.

Sponsors of the bills say 14,500 persons die yearly from accidents while at work, and the prevention of a single such death justifies new and drastic steps by the federal government.

Occupational safety and health controls will be a major issue on Capitol Hill this session. Are things so bad that federal power must be expanded? Should Uncle Sam set your safety rules? What do you think?

Jack Wooldridge, Editor
Nation's Business
1615 H Street, N.W.
Washington, D.C. 20006

Should Uncle Sam set your safety rules?

☐ Yes

☐ No

Comments:.....

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Name and title.....

Company.....

SOUND OFF RESPONSE:

HOW TO RESTORE LAW AND ORDER

Get tough with the lawbreakers. That's the opinion of a majority of NATION'S BUSINESS readers responding to February's "Sound Off" question, "How can we best get law and order?"

An outpouring of responses shows many definite opinions.

Many feel poverty and unemployment must be eliminated. But they stress this alone is not enough. For an immediate cutback on crime, NATION'S BUSINESS readers look to the judicial system and the law enforcement agencies.

The most common criticism—that courts are too lenient—was coupled with the protest that policemen are not given enough power to carry out their functions and are not backed by the courts.

"There is only one way to have and maintain law and order. Quit coddling the lawbreaker!" writes C. L. Thayre, president of the Farmers and Merchants Bank in Cherry Tree, Pa. "Let's give our police some backing. You don't hear the law-abiding citizens crying 'police brutality'."

"We seem to have come so far in protecting the rights of the individual that we are forgetting that society has a right to protect itself from lawlessness. We need speedier trial procedures and courts that will support rather than hamper law enforcement," Keith Brown, secretary and treasurer of Sealrite Manufacturing Co., Kansas City, Mo., says.

R. T. Ball, administrative supervisor of West Virginia Pulp and Paper in Charleston, S. C., advises, "Reverse the recent findings of the Supreme Court which have handcuffed law enforcement personnel in favor of the criminal."

"The problem lies with the inefficiency of the courts," James S. Jackson, president of The Boston, Inc., New Philadelphia, Ohio, says.

"We will have no better conditions in this country until we have judges who have the guts to serve a penalty to lawbreakers."

"The judicial process takes too long," says W. Clarence Kimbrell, chairman and president of Kimbrell's, Inc., a chain of furniture stores in North and South Carolina. "Interminable delays and appeals must be eliminated. Appeals should be fast and decision quick. The men and facilities to apprehend and prosecute should be beefed up."

"The overcrowded conditions of the courts and the leniency of these courts have created our biggest problem," says Philip R. Hoffman, president of Hoffman-Marquard Machinery Co., St. Louis, Mo., and the American Machine Tool Distributors Association, Washington, D. C. "Many crimes are committed by men who are currently out on bond awaiting trial. As long as the judges extend freedom on bond, change of venue and delays offered by defense attorneys, these unemployed lawbreakers will pursue crime. The problem is not with the police."

S. Whitney Downer III, regional manager of Bell & Howell Co., in Westfield, N. J., says, "Police should have power to search 'suspicious' persons or dwellings. Where trial is required, it should be as soon as possible after the indictment. Guilt should be established on the facts, not the procedure of the arrest and jurisprudence surrounding the crime. Improper procedure should give cause for a new trial, not freedom to a heinous criminal."

"A liberal sickness permeates our judicial system," Logan Young, president of Forristal-Young Sales Co., St. Louis, Mo., says. "Recent Supreme Court decisions leave little hope for any foreseeable improvement."

"Slums may be a breeding ground

for the crime germ, but the courts could be penicillin instead of just aspirin. It stands to reason that the tougher the consequences, the fewer people would take the risk of committing crimes," writes Frank Latham Jr., president of Texas Security Systems, Inc., Austin, Tex.

"Courts should hand out penalties and make them stick," says E. M. Everson, manager of J. C. Penney Co., Inc., in Beaver Dam, Wisc. "Speed up court actions by eliminating silly technicalities and eliminate retrials except in obviously necessary situations. Elevate the police to the position of respect formerly held and forget about so-called police brutality."

"Swift, sure justice to offenders is the best deterrent to crime and violence," Paul McHenry, vice president of Macmillan Ring-Free Oil Co., Inc., of El Dorado, Ark. says.

Readers were particularly firm in their views toward crime repeaters.

Vernon Miller, president of Alvern Boat Shop, Inc., Northport, N. Y., calls for "no bail and stiff prison sentences for second offenses," and "fewer criminals released on technicalities."

F. A. Bendix, president of Bendix Mouldings, Inc., Bronx, N. Y., suggests refusing bail "in all cases involving defendants with any record."

"Release on bail is one of the rights guaranteed by our Constitution, but I believe that, if a criminal has been given advantage of one release on bail, if he is re-arrested, further release on bail should not be permitted," Albert A. Beste, vice president of fuel sales with Koenig Fuel and Supply Co., Detroit, Mich., says.

Donald H. Burton Jr., supervisor of systems evaluation for Hercules, Inc., Wilmington, Del., says, "As one of the first steps, I would suggest a minimum mandatory jail sentence for repeat violators of the law."

"Make it a federal law that commission of any crime with a gun or knife, upon conviction carries a mandatory minimum jail sentence. Much crime of all kinds is committed by people who are only big and brave enough when they have the advantage of a lethal weapon," contends R. A. Niles, manager of design and engineering for American Oil Co., Chicago, Ill.



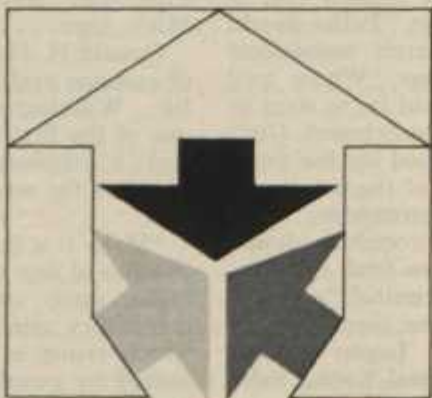
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W. J. Sagstetter, sales promotion director for Gulf Publishing Co., Houston, Tex., says, "To those who use force as a weapon, the return use of force against them is the only language they understand. Let's quit tolerating the mobs who occupy public places and destroy public property."

John Clements, field products specialist with American Standard Corp., Detroit, says we will achieve order "by making clear to everyone the law and just what it means. This is the guideline for all, with no exceptions. All must know and realize that to go beyond the law for whatever reason, you must pay the penalty."

"Only by strict enforcement of the law is order possible," A. Bruce Durkee, president of Durkee-Mower, Inc., Lynn, Mass., says. "A law unenforced is worse than no law because all laws then become candidates for breaking and all authority ceases to exist."

E. K. Goodson, vice president of Belk Brothers Co., Charlotte, N. C., says, "Let's restore in the minds of the criminally inclined fear of punishment."

Howard G. Mikeleit, a Buffalo, N. Y., dentist, expresses the views of many readers when he says, "Restore the death penalty. In 1968, there were no executions in the U. S., but thousands of decent, law-abiding citizens were killed."

William H. Henneberg Jr., general agent for Massachusetts Mutual Life Insurance Co., New Orleans, calls for a "mandatory death penalty for premeditated murder and the sale of narcotics to minors."

Others attribute the breakdown of law and order to outside influences.

"Riots and defiance of authority are stated methods of the communists to gain control of this and other countries through chaos and revolution. Why not deal with the communists in this country as the criminals they are?" asks Fred A. Rose, president of Corbett-Rose Music Co., of Alcoa, Tenn.

Many readers say crime and violence in television and movies and excessive news coverage of criminals have led to the increase in crime.

O. P. Johnson, manager of Union Carbide Corp.'s Greenville, S. C., plant, feels "the vast increase in filth, obscenity and pornography in literature, movies, etc., contributes to the permissive attitudes in our lives."

SOUND OFF RESPONSE: HOW TO RESTORE LAW AND ORDER *continued*

R. C. Boyd, customer service manager with Westinghouse Electric Corp., suggests, "Change the national mores." He calls for a "broad-gauge, concerted effort in all areas of public communication—TV, radio, press, advertising, government at all levels—to influence society's attitudes. Simultaneously, it requires recognition of criminal tendencies early in life and treatment as a disease, with congruent research effort."

To preserve and maintain law and order with permanence, readers call for a return to morality, respect for others and their property, and respect for the nation's laws. They look to the family unit, the educational system and our land's highest leaders to instill discipline and a respect for authority.

"Moral decline, not poverty, is the main reason for the crime increase," Estel R. Borden, owner of

Borden's Motel, Mexico, Mo., says. "The percentage of crimes was lowest during the depression years of the '30's."

"Law and order will never be realized until a majority of our people really want it badly enough to live better, more honest lives and insist on exemplary lives from our leaders and elected officials," Richard A. Seggel, president of Dodge-Newark Supply Co., Inc., Newark, N. J., says.

"Our youth are not disciplined any more," Rudolf Abrams, vice president of Great American Knitting Mills, Inc., Bally, Pa., says. "A disrespect for parents breeds disrespect for the authorities in education and law enforcement."

"The nurturing of respect for authority has to begin in the home during the child's earliest years and should be reinforced by his school and religious training as he ma-

tures. Until we seriously concern ourselves with the cause of home breakdowns, the downgrading of basic religious and moral principles, other efforts to attain law and order will be futile," H. E. Roethe, an assistant manager with Oxford Paper Co., New York City, says.

A. Amarillos, president of Omega Service Parts Corp., also in New York City, suggests, "Hire school teachers with strict moral principles who respect the law and are willing to instill respect for the law in their pupils."

T. E. Henderson, superintendent of United Cotton Goods Co., Inc., Griffin, Ga., says, "Permissiveness within the home, school, college and courts has destroyed character-building principles in many of our young and we are paying for this. To restore law and order, reinstate discipline, enforce the law and make criminals pay for crime." **END**

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